



Mary Taylor, CPA  
Auditor of State



LANE PUBLIC LIBRARY  
BUTLER COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Lane Public Library  
Butler County  
1396 University Boulevard  
Hamilton, Ohio 45011

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lane Public Library, Butler County, Ohio (the Library), as of and for the years ended December 31, 2006 and 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, each major fund, and the aggregate remaining fund information of Lane Public Library, Butler County, Ohio, as of December 31, 2006 and 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2006 and 2005, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 19, 2008

**Lane Public Library**  
Management's Discussion and Analysis  
For the Years ended December 31, 2006 and 2005  
(Unaudited)

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This discussion and analysis of Lane Public Library's financial performance provides an overall view of the Library's financial activities for the years ended December 31, 2006 and December 31, 2005 within the limitations of the Library's modified cash basis accounting. The intent of this management's discussion and analysis is to look at the Library's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Financial Highlights**

Key highlights for 2005 are as follows:

Total Net Assets decreased by \$1,234,666 or 13.3 percent, a significant change from the prior year. This decrease is attributed to the construction of the Administration Center.

The Library's general receipts are primarily the Library and Local Government Support Fund ("LLGSF"). General receipts represent 96.2 percent of the total cash received for governmental activities during the year. LLGS tax receipts for 2005 changed very little compared to 2004 due to a freeze of LLGSF by the Ohio Legislature.

The net change in the General Fund balance was \$164,118. The financial goal for the General Fund in 2005 was to have revenue be equal to or greater than the expenditures. This goal was accomplished. The only general fund accounts where the expenditures were increased were salaries and benefits, a 1.4% increase.

Key highlights for 2006 are as follows:

Total net assets increased \$594,185. The majority of this increase was realized in the General Fund due to careful monitoring of operating expenses.

The Library's general receipts are primarily the Library and Local Government Support Fund ("LLGFS"). General receipts represent 96.6 percent of the total cash received for governmental activities during the year. This percent is down from 2005 because of the increase in interest revenue. LLGSF tax receipts for 2006 did not change compared to 2005 due to a freeze of the LLGSF by the Ohio Legislature.

**Lane Public Library**  
Management's Discussion and Analysis  
For the Years ended December 31, 2006 and 2005  
(Unaudited)

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**Using the Basic Financial Statements**

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

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the Library as a financial whole or as an entire operating entity. The statements provide a detailed look at the Library's specific financial activities and conditions on a modified cash basis of accounting.

The Statement of Net Assets – Modified Cash Basis and Statement of Activities – Modified cash basis provide information about the activities of the whole Library, presenting both an aggregate view of the Library's finances and a longer-term view of those finances. Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library to segregate money whose use is restricted to a particular specified purpose. These statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the Library's most significant funds with all other nonmajor funds presented in total in one column.

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 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.



**Lane Public Library**  
Management's Discussion and Analysis  
For the Years ended December 31, 2006 and 2005  
(Unaudited)

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**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2006 and 2005, within the limitations of modified cash basis accounting. The Statement of Net Assets – Modified cash basis compares disbursements with program receipts for each governmental activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's modified cash position and the changes in modified cash position. Keeping in mind the limitations of the modified cash basis of accounting, these changes can then be viewed as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library financial condition, other nonfinancial factors should be considered as well. These nonfinancial factors include the condition of the Library's capital assets, 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 source, the LLGSF.

The Statement of Net Assets – Modified cash basis and the Statement of Activities – Modified cash basis present governmental activities, which include all of the Library's services. The Library has no business-type activities.

**Reporting the Library's Most Significant Funds**

Fund Financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that has restricted use is being spent for the intended purpose. All of the operating funds of the Library are governmental.

**Governmental Funds**

All of the Library's activities are reported in the governmental funds. The governmental fund financial statements provide a detailed short-term 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 major governmental funds are the General Fund, the Capital Projects Fund and the Havighurst Fund. These significant

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Management's Discussion and Analysis  
For the Years ended December 31, 2006 and 2005  
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governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. The governmental fund financial statements can be found beginning on page 10 of this report.

**The Library as a Whole**

Recall that the Statement of Net Assets pictures the Library as a whole. Table 1 provides a summary of the Library's net assets for 2006 compared to 2005 on a modified cash basis:

(Table 1)  
**Net Assets – Modified cash**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$5,816,262	\$5,344,977
Investments	<u>2,855,030</u>	<u>2,732,130</u>
<i>Total Assets</i>	<u><b>\$8,671,292</b></u>	<u><b>\$8,077,107</b></u>
<b>Net Assets</b>		
Restricted for Capital Projects	\$2,629,371	\$2,586,292
Trusts	2,347,205	2,251,457
Other Purposes	1,074,933	1,021,932
Unrestricted	<u>2,619,783</u>	<u>2,217,426</u>
<i>Total Net Assets</i>	<u><b>\$8,671,292</b></u>	<u><b>\$8,011,107</b></u>

As mentioned previously, net assets of governmental activities increased. The primary reasons contributing to the increases in cash balances are as follows:

- Total expenses decreased by \$1,765,236 in 2006 as compared to 2005. The major difference in expenses was the completion of the Administration Center which was a total expenditure of \$1,652,443 from the Capital Projects Fund in 2005.
- The General Fund decreased in operating expenses by \$196,880 in 2006 compared to 2005.
- Overall revenue increased by \$63,614.

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Management's Discussion and Analysis  
For the Years ended December 31, 2006 and 2005  
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Table 2 reflects the changes in net assets in 2006 and 2005 for governmental activities.

(Table 2)  
**Changes in Net Assets**

Governmental Activities

	<u>2006</u>	<u>2005</u>
<b>Receipts:</b>		
Program Receipts:		
Charges for Services	\$ 219,460	\$ 226,690
Operating Grants & Contributions	<u>10,905</u>	<u>30,808</u>
Total Program Cash Receipts	\$ 230,365	\$ 257,498
General Receipts		
Unrestricted Gifts & Contributions	\$ 27,016	\$ 4,149
Grants & Entitlements	6,082,500	6,082,500
Sale of Capital Assets	0	75
Interest	401,689	326,855
Miscellaneous	<u>16,656</u>	<u>24,462</u>
Total General Receipts	<u>6,527,861</u>	<u>6,438,040</u>
<b>Total Receipts</b>	<b>\$ 6,758,226</b>	<b>\$ 6,694,612</b>
<b>Disbursements:</b>		
Library Services		
Public Services	\$ 2,951,296	\$ 2,889,147
Collection Development & Processing	1,544,555	1,660,489
Support Services		
Facilities Operation & Maintenance	542,643	543,618
Information Services	204,983	244,285
Business Administration	779,300	936,695
Capital Outlay	<u>141,264</u>	<u>1,655,044</u>
<b>Total Disbursements</b>	<b>\$ 6,164,041</b>	<b>\$ 7,929,278</b>
<b>Change in Net Assets</b>	<b>\$ 594,185</b>	<b>(\$ 1,234,666)</b>
<b>Net Assets Beginning of Year</b>	<b>\$8,077,107</b>	<b>\$9,311,773</b>
<b>Net Assets End of Year</b>	<b><u>\$8,671,292</u></b>	<b><u>\$8,077,107</u></b>

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The vast majority of revenue supporting all governmental activities is general revenue. General revenue for 2006 and 2005 totaled \$6,527,361 and \$6,438,040 respectively or 96.5 and 96.2 percent of total revenue.

The Library also carefully invests its funds in a variety of investment types with the primary focus being safety of principal, but with an attention to investment opportunities to increase yield. In 2006, the Library realized \$401,689 in interest revenue which is 5.7% of the total revenue. In 2005, the Library realized \$326,854 in interest revenue which is 4.9% of the total revenue.

**Analysis of Overall Financial Positions and Results of Operations**

In Table 3, below, the total cost of services column contains all costs related to the programs and the net cost of services column shows how much of the total amount is not covered by program revenues. The net costs are program costs that must be covered by unrestricted State aid (Library and Local Government Support Fund).

(Table 3)  
**Governmental Activities**

<u>Programs</u>	<u>Total Cost of Services 2006</u>	<u>Net Cost of Services 2006</u>	<u>Total Cost of Services 2005</u>	<u>Net Cost of Services 2005</u>
Library Services				
Public Service & Programs	\$2,951,296	\$2,731,837	\$2,889,147	\$2,632,575
Collection Development	1,544,555	1,538,510	1,660,489	1,660,489
Support Services				
Facilities Operations & Maint.	542,643	542,643	543,618	543,618
Information Services	204,983	200,123	244,285	244,285
Business Administration	779,300	779,300	936,695	936,695
Capital Outlay	<u>141,264</u>	<u>141,263</u>	<u>1,655,044</u>	<u>1,655,044</u>
Total Expenses	<u>\$6,164,041</u>	<u>\$5,933,676</u>	<u>\$7,929,278</u>	<u>\$7,672,706</u>

The dependence upon General receipts is obvious as nearly 97% of total expenses are supported through this revenue. This percentage was the same in both 2006 and 2005.

**The Library's Funds**

Information about the Library's Governmental Funds begins on page 6. In 2006, all Governmental Funds had total revenue of \$6,758,226 and expenditures of \$6,164,041. In 2005, all Governmental Funds had total revenue of \$6,694,612 and expenditures of \$7,929,277. The most significant fund is our general fund. In 2006, the unreserved fund

**Lane Public Library**  
Management's Discussion and Analysis  
For the Years ended December 31, 2006 and 2005  
(Unaudited)

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balance for the general fund was \$2,241,673 compared to annual expenditures of \$6,043,087. In 2005, the unreserved fund balance for the general fund was \$2,068,802 compared to annual expenditures of \$6,239,967.

**General Fund Budgetary Highlights**

The Library's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursement and encumbrances. The most significant budgeted fund is the general fund. During the course of 2006 and 2005, the Library amended its general fund budget, but no amendment increased total appropriations. For the general fund in 2006, original and final budgeted revenues were \$5,946,543 and \$6,372,500; in 2005, they were \$6,314,282 and \$6,305,000 respectively. Original and final budgeted expenditures in the general fund in 2006 were \$7,721,543 and \$8,589,925 and in 2005, they were \$7,042,634 and \$8,351,472.

**Current Financial Issues**

Lane Public Library is committed to the highest standards of service for its users while maintaining a strong financial position. The Board of Trustees and administration closely monitor the Library's revenues and expenses.

The goal for 2006 and 2005 was for the Library to be revenue/expense neutral in the General Fund. The Library made significant reductions in disbursements with the total being less than was spent in 2001 by more than \$100,000. The expenses associated with the rental of spaces for the Bookmobile Department and the Public Relations/Youth Services Coordinator were more than the cost of operating in the Library Administration Center.

The Ohio Legislature is currently discussing how to fund public libraries. This means an uncertain future for the Library and Local Government Support Fund.

**Contacting the Library's Financial Management**

This financial report is designed to provide out citizens, taxpayers, investor and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mary Pat Essman, Director/Clerk-Treasurer, Lane Public Library, 1396 University Blvd., Hamilton, Ohio 45011.

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**Lane Public Library**  
**Butler County**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2006*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,816,262
Investments	2,855,030
<i>Total Assets</i>	<u><u>\$8,671,292</u></u>
 <b>Net Assets</b>	
Restricted for:	
Capital Projects	\$2,629,371
Trusts	2,347,205
Other Purposes	1,074,933
Unrestricted	<u>2,619,783</u>
<i>Total Net Assets</i>	<u><u>\$8,671,292</u></u>

See accompanying notes to the basic financial statements

**Lane Public Library, Butler County**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2005*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,344,977
Investments	<u>2,732,130</u>
<i>Total Assets</i>	<u><u>\$8,077,107</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$2,586,292
Trusts	2,251,457
Other Purposes	1,021,932
Unrestricted	<u>2,217,426</u>
<i>Total Net Assets</i>	<u><u>\$8,077,107</u></u>

See accompanying notes to the basic financial statements



**Lane Public Library  
Butler County**  
*Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements, Receipts and Change in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental Activities</b>					
Library Services:					
Public Service and Programs	2,951,296	219,460		(\$2,731,836)	
Collection Development & Support Services:	1,544,555		6,045	(1,538,510)	
Facilities Operation and Maintenance	542,643			(542,643)	
Information Services	204,983		4,860	(200,123)	
Business Administration	779,300			(779,300)	
Capital Outlay	141,264			(141,264)	
<i>Total Governmental Activities</i>	<u>\$6,164,041</u>	<u>\$219,460</u>	<u>\$10,905</u>	<u>\$0</u>	(5,933,676)

**General Receipts**

Unrestricted Gifts and Contributions	27,016
Grants and Entitlements not Restricted to Specific Programs	6,082,500
Interest	401,689
Miscellaneous	<u>16,656</u>
<i>Total General Receipts</i>	6,527,861
<i>Total General Receipts, Contributions to Permanent Fund Special Item, Extraordinary Item, Transfers and Advances</i>	<u>6,527,861</u>
Change in Net Assets	594,185
<i>Net Assets Beginning of Year</i>	<u>8,077,107</u>
<i>Net Assets End of Year</i>	<u><u>\$8,671,292</u></u>

See accompanying notes to the basic financial statements

**Lane Public Library, Butler County**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2005*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Library Services:					
Public Service and Programs	2,889,147	225,764	30,808		(\$2,632,575)
Collection Development and Process.	1,660,489				(1,660,489)
Support Services:					
Facilities Operation and Maintenance	543,618				(543,618)
Information Services	244,285				(244,285)
Business Administration	936,695				(936,695)
Capital Outlay	1,655,044				(1,655,044)
Debt Service:					
Principal Retirement					0
Interest and Fiscal Charges					0
Financing Fees and Costs					0
<b>Total Governmental Activities</b>	<b><u>\$7,929,278</u></b>	<b><u>\$225,764</u></b>	<b><u>\$30,808</u></b>	<b><u>\$0</u></b>	<b><u>(7,672,706)</u></b>
<b>General Receipts</b>					
					4,149
					6,082,500
					75
					326,855
					24,461
<b>Total General Receipts</b>					<b>6,438,040</b>
Special Item - Proceeds from Sale of Land					
Transfers					
Advances					
<b>Total General Receipts, Special Item, Transfers and Advances</b>					<b><u>6,438,040</u></b>
Change in Net Assets					(1,234,666)
<i>Net Assets Beginning of Year</i>					<u>9,311,773</u>
<i>Net Assets End of Year</i>					<u><u>\$8,077,107</u></u>

See accompanying notes to the basic financial statements

**Lane Public Library  
Butler County**  
*Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2006*

	<u>General</u>	<u>Capital Projects</u>	<u>Havighurst</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,619,783	\$2,080,299	\$33,562	\$1,082,618	\$5,816,262
Investments			2,309,883	545,147	2,855,030
<i>Total Assets</i>	<u>\$2,619,783</u>	<u>\$2,080,299</u>	<u>\$2,343,445</u>	<u>\$1,627,765</u>	<u>\$8,671,292</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$378,111	\$4,616		\$5,558	\$388,284
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	2,241,673				2,241,673
Special Revenue Funds				1,069,377	1,069,377
Capital Projects Funds		2,075,683		549,072	2,624,755
Permanent Funds			\$2,343,445	3,759	2,347,204
<i>Total Fund Balances</i>	<u>\$2,619,783</u>	<u>\$2,080,299</u>	<u>\$2,343,445</u>	<u>\$1,627,765</u>	<u>\$8,671,292</u>

See accompanying notes to the basic financial statements

**Lane Public Library, Butler County**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	<u>General</u>	<u>Capital Projects</u>	<u>Havighurst</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,217,426	\$2,045,020	\$42,901	\$1,039,630	\$5,344,977
Investments			2,204,980	527,150	2,732,130
<i>Total Assets</i>	<u>\$2,217,426</u>	<u>\$2,045,020</u>	<u>\$2,247,881</u>	<u>\$1,566,780</u>	<u>\$8,077,107</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$148,624	\$107,949		\$6,730	\$263,303
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	2,068,802				2,068,802
Special Revenue Funds				1,020,402	1,020,402
Capital Projects Funds		1,937,071		536,072	2,473,143
Permanent Funds			2,247,881	3,576	2,251,457
<i>Total Fund Balances</i>	<u>\$2,217,426</u>	<u>\$2,045,020</u>	<u>\$2,247,881</u>	<u>\$1,566,780</u>	<u>\$8,077,107</u>

See accompanying notes to the basic financial statements

**Lane Public Library  
Butler County**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006*

	General	Capital Projects	Havighurst	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Intergovernmental	6,087,360				6,087,360
Patron Fines and Fees	219,460				219,460
Contributions, Gifts and Donations				33,061	33,061
Earnings on Investments	122,035	99,921	106,723	73,010	401,689
Miscellaneous	16,589			67	16,656
<i>Total Receipts</i>	<u>6,445,444</u>	<u>99,921</u>	<u>106,723</u>	<u>106,138</u>	<u>6,758,226</u>
<b>Disbursements</b>					
Current:					
Library Services:					
Public Service and Programs	2,940,087		17	11,192	2,951,296
Collection Development and Processing	1,538,534			6,021	1,544,555
Support Services:					
Facilities Operation and Maintenance	541,090			1,553	542,643
Information Services	204,983			0	204,983
Business Administration	744,224	35,076			779,300
Capital Outlay	74,169	29,566	11,142	26,387	141,264
<i>Total Disbursements</i>	<u>6,043,087</u>	<u>64,642</u>	<u>11,159</u>	<u>45,153</u>	<u>6,164,041</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>402,357</u>	<u>35,279</u>	<u>95,564</u>	<u>60,985</u>	<u>594,185</u>
<i>Net Change in Fund Balances</i>	402,357	35,279	95,564	60,985	594,185
<i>Fund Balances Beginning of Year</i>	<u>2,217,426</u>	<u>2,045,020</u>	<u>2,247,881</u>	<u>1,566,780</u>	<u>8,077,107</u>
<i>Fund Balances End of Year</i>	<u>\$2,619,783</u>	<u>\$2,080,299</u>	<u>\$2,343,445</u>	<u>\$1,627,765</u>	<u>\$8,671,292</u>

See accompanying notes to the basic financial statements

**Lane Public Library, Butler County**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances Modified Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	Capital Projects	Havighurst	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Intergovernmental	6,082,500				6,082,500
Patron Fines and Fees	225,764				225,764
Contributions, Gifts and Donations				34,957	34,957
Earnings on Investments	71,339	76,865	122,345	56,305	326,854
Miscellaneous	24,482			55	24,537
<i>Total Receipts</i>	<u>6,404,085</u>	<u>76,865</u>	<u>122,345</u>	<u>91,317</u>	<u>6,694,612</u>
<b>Disbursements</b>					
Current:					
Library Services:					
Public Service and Programs	2,882,592			6,555	2,889,147
Collection Development and Processing	1,656,053			4,436	1,660,489
Support Services:					
Facilities Operation and Maintenance	542,038			1,580	543,618
Information Services	244,285				244,285
Business Administration	854,389	82,306			936,695
Capital Outlay	60,610	1,570,137	17,467	6,830	1,655,044
<i>Total Disbursements</i>	<u>6,239,967</u>	<u>1,652,443</u>	<u>17,467</u>	<u>19,401</u>	<u>7,929,278</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>164,118</u>	<u>(1,575,578)</u>	<u>104,878</u>	<u>71,916</u>	<u>(1,234,666)</u>
<i>Net Change in Fund Balances</i>	164,118	(1,575,578)	104,878	71,916	(1,234,666)
<i>Fund Balances Beginning of Year</i>	<u>2,053,308</u>	<u>3,620,598</u>	<u>2,143,003</u>	<u>1,494,864</u>	<u>9,311,773</u>
<i>Fund Balances End of Year</i>	<u>\$2,217,426</u>	<u>\$2,045,020</u>	<u>\$2,247,881</u>	<u>\$1,566,780</u>	<u>\$8,077,107</u>

See accompanying notes to the basic financial statements

**Lane Public Library  
Butler County**  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	5,656,543	6,082,500	6,087,360	4,860
Patron Fines and Fees	238,300	238,300	219,460	(18,840)
Earnings on Investments	40,500	40,500	122,035	81,535
Miscellaneous	11,200	11,200	16,589	5,389
<i>Total receipts</i>	<u>5,946,543</u>	<u>6,372,500</u>	<u>6,445,444</u>	<u>72,944</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	3,100,513	3,219,133	2,940,087	279,046
Collection Development and Processing	1,565,380	1,817,702	1,538,534	279,168
Support Services:				
Facilities Operation and Maintenance	557,165	597,370	541,090	56,280
Information Services	135,621	220,039	204,983	15,056
Business Administration	766,448	790,197	744,224	45,973
Capital Outlay	1,596,416	1,945,484	74,169	1,871,315
<i>Total Disbursements</i>	<u>7,721,543</u>	<u>8,589,925</u>	<u>6,043,087</u>	<u>2,546,838</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,775,000)</u>	<u>(2,217,425)</u>	<u>402,357</u>	<u>2,619,782</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	175,000			
<i>Total Other Financing Sources (Uses)</i>	<u>175,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,775,000)	(2,217,425)	402,357	2,619,782
<i>Fund Balance Beginning of Year</i>	2,217,426	2,217,426	2,217,426	0
Prior Year Encumbrances Appropriated	148,624	148,624	148,624	0
<i>Fund Balance End of Year</i>	<u>\$442,426</u>	<u>\$1</u>	<u>\$2,619,783</u>	<u>\$2,619,782</u>

See accompanying notes to the basic financial statements

**Lane Public Library**

**Butler County**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual - Budget Basis*

*General Fund*

*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	6,037,282	6,037,282	6,082,500	45,218
Patron Fines and Fees	218,000	216,083	225,764	9,681
Earnings on Investments	35,000	40,500	71,339	30,839
Miscellaneous	12,000	11,135	24,482	13,347
<i>Total receipts</i>	<u>6,302,282</u>	<u>6,305,000</u>	<u>6,404,085</u>	<u>99,085</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	3,051,521	3,373,365	2,882,592	490,773
Collection Development and Processing	2,034,217	2,296,232	1,656,053	640,179
Support Services:				
Facilities Operation and Maintenance	591,417	644,632	542,038	102,594
Information Services	254,081	261,196	244,285	16,911
Business Administration	956,398	1,019,014	854,389	164,625
Capital Outlay	155,000	757,033	60,610	696,423
<i>Total Disbursements</i>	<u>7,042,634</u>	<u>8,351,472</u>	<u>6,239,967</u>	<u>2,111,505</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(740,352)</u>	<u>(2,046,472)</u>	<u>164,118</u>	<u>2,210,590</u>
<i>Net Change in Fund Balance</i>	(740,352)	(2,046,472)	164,118	2,210,590
<i>Fund Balance Beginning of Year</i>	2,053,308	2,053,308	2,053,308	0
Prior Year Encumbrances Appropriated	<u>272,422</u>	<u>272,422</u>	<u>272,422</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,312,956</u></u>	<u><u>\$6,836</u></u>	<u><u>\$2,217,426</u></u>	<u><u>\$2,210,590</u></u>

See accompanying notes to the basic financial statements



**Lane Public Library**  
Notes to the Basic Financial Statements  
For the Years ended December 31, 2006 and 2005

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**Note 1 – Description of the Library and Reporting Entity**

Lane Public Library was originally established in 1866 and was organized as a school district public library in 1923 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Hamilton 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 and the financial accountability being the responsibility of the Director/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, 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 Hamilton City School District.

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

**Lane Public Library**  
Notes to the Basic Financial Statements  
For the Years ended December 31, 2006 and 2005  
(Continued)

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**Note 1 – Description of the Library and Reporting Entity** (continued)

The Friends of the Hamilton-Fairfield Library and the Friends of the Oxford Lane Libraries are not-for-profit organizations with self-appointing boards. The Library is not financially accountable for the organizations, nor does the Library approve the budgets or the issuance of debt for the organizations. Therefore, these organizations have been excluded from the reporting of the entity of the Library.

The Library 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 Lane 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole.

The statement of net assets presents the cash and investment balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital

**Lane Public Library**  
Notes to the Basic Financial Statements  
For the Years ended December 31, 2006 and 2005  
(Continued)

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**Note 2 – Summary of Significant Accountings Policies** (continued)

requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a 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 for 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 may not be used. The following are the Library's major governmental funds.

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.

Capital Projects Fund – The capital projects fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

Havighurst Fund – This permanent fund is specified to be used for the benefit of the Oxford Branch.

**Lane Public Library**  
Notes to the Basic Financial Statements  
For the Years ended December 31, 2006 and 2005  
(Continued)

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**Note 2 – Summary of Significant Accountings Policies** (continued)

The other governmental funds of the Library account for grants and other resources whose use is restricted to a particular purpose and are non-major funds. These funds include Special Revenue Funds and Permanent Funds.

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. Modifications made by the Library are described in Section E of this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, (except agency funds), are legally required to be appropriated. The appropriations resolution is the Trustees' authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Director/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 amount 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

**Lane Public Library**  
Notes to the Basic Financial Statements  
For the Years ended December 31, 2006 and 2005  
(Continued)

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**Note 2 – Summary of Significant Accounting Principles** (continued)

that fund 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

Library records identify the purchase of specific investments by specific funds.

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

Investments with an initial maturity of more than three months and common stock that was not purchased from the pool are reported as investments. The Havighurst, Latta and USAA Funds are all considered to be modifications to cash and are therefore 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, respectively.

Investments with an initial maturity of more than three months and common stock are reported as investments.

During 2006 and 2005, the majority of investments were limited to STAR OHIO and nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are recorded at cost. The Havighurst, Latta and USAA Funds are all recorded on a cost basis. All of these investments are gifts with the Latta and Havighurst Funds being held and invested by the First Financial Trust Department.

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

Investment procedures are restricted by the provision of the Ohio Revised Code. Interest receipts credited to the general fund during 2006 amounted to \$122,035 and for 2005 amounted to \$71,339.

**Lane Public Library**  
Notes to the Basic Financial Statements  
For the Years ended December 31, 2006 and 2005  
(Continued)

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**Note 2 – Summary of Significant Accounting Principles** (continued)

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, grantor or laws of other governments, or imposed by law through constitutional provisions or enabling legislations

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. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

I. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for specific future use. Unreserved fund balances indicate that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**Note 3 – Change in Basis of Accounting**

In 2004 the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For 2006 and 2005, the Library has implemented the modified cash basis of accounting as described in Note 2. The fund financial statements now present each major fund in a separate column, with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**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

**Lane Public Library**  
Notes to the Basic Financial Statements  
For the Years ended December 31, 2006 and 2005  
(Continued)

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**Note 4 – Budgetary Basis of Accounting** (continued)

Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash balance). The encumbrances outstanding at year end (budgetary basis) amounted to \$378,111 in 2006 and \$148,624 in 2005 in the General Fund.

**Note 5 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes or any other obligation or security Issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, 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.

**Lane Public Library**  
Notes to the Basic Financial Statements  
For the Years ended December 31, 2006 and 2005  
(Continued)

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**Note 5 – Deposits and Investments** (continued)

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 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 deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

At December 31, 2006 and 2005, the Library had \$470 in undeposited cash on hand which is included as "Equity in Pooled Cash and Cash Equivalents."

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006 \$5,454,542 of the Library's bank balance of \$5,654,543 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Library's name. At December 31, 2005, \$5,070,238 of the Library's bank balance of \$5,270,238 was exposed to custodial credit risk.



**Lane Public Library**  
Notes to the Basic Financial Statements  
For the Years ended December 31, 2006 and 2005  
(Continued)

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**Note 5 – Deposits and Investments** (continued)

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

**Investments**

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

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Library's name. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon the receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Lane Public Library**  
Notes to the Basic Financial Statements  
For the Years ended December 31, 2006 and 2005  
(Continued)

**Note 5 – Deposits and Investments** (continued)

As of December 31, 2006, the Library had the following investments:

Investment Type	Carrying Value	Investment Maturities (in Years)			
		Less than 1	1-2	3-5	More than 5
US Treasury Notes	\$851,010	\$127,114	\$224,523	\$374,158	\$125,215
USAA Growth Mutual Funds	123,000	123,000			
Corporate Mutual Fund	235,840	235,840			
Stock Mutual Funds	85,000	85,000			
Legacy Money Funds	88,205	88,205			
Common Stock	1,471,976	1,471,976			
STAR Ohio	223,396	223,396			
<b>Total Investments</b>	<b>\$3,078,427</b>	<b>\$2,354,531</b>	<b>\$224,523</b>	<b>\$374,158</b>	<b>\$125,215</b>

As of December 31, 2005, the Library had the following investments:

Investment Type	Carrying Value	Investment Maturities (in Years)	
		Less than 1	1-2
US Treasury Notes	\$450,012	\$223,180	\$226,832
USAA Growth Mutual Funds	123,000	123,000	
Corporate Mutual Fund	320,000	320,000	
Stock Mutual Funds	60,000	60,000	
Legacy Money Funds	375,518	375,518	
Common Stock	1,403,601	1,403,601	
STAR Ohio	178,410	178,410	
<b>Total Investments</b>	<b>\$2,910,541</b>	<b>\$2,683,709</b>	<b>\$226,832</b>

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**Lane Public Library**  
Notes to the Basic Financial Statements  
For the Years ended December 31, 2006 and 2005  
(Continued)

**Note 6 – Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. During 2006 and 2005, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Cincinnati Financial Insurance Company	Commercial Property & Liability	\$500,000
Cincinnati Insurance Company	Vehicles	\$500,000
	Commercial Umbrella	\$5,000,000
Ohio Casualty Insurance Company	Surety Bonds	\$50,000
Republic-Franklin Insurance Company	Errors and Omissions	\$1,000,000

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

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

**Note 7 – Defined Benefit Pension Plan**

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employers 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 members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provide retirement, disability, survivor 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-

**Lane Public Library**  
Notes to the Basic Financial Statements  
For the Years ended December 31, 2006 and 2005  
(Continued)

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**Note 7 – Defined Benefit Pension Plan** (continued)

alone financial report that may be obtained by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5% of their annual covered salaries. The Library's contribution rate for pension benefits was 13.7 percent in 2006 and 13.55 percent in 2005.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, 2004 and 2003 were \$411,389, \$410,367, \$402,649 and \$402,631 respectively. The full amount has been contributed for 2006, 2005, 2004 and 2003.

**Note 8 – Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent and in 2005, 13.55 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care in 2006; 4 percent of covered payroll was the portion used to fund health care in 2005.

Benefits are advanced-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2005 include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase 1.00 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. 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.

**Lane Public Library**  
Notes to the Basic Financial Statements  
For the Years ended December 31, 2006 and 2005  
(Continued)

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**Note 8 – Postemployment Benefits** (continued)

In 2006, the number of active contributing participants in the traditional and combined plans was 375,016. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$17,698,644. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$17,698,644. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 9 - Material Noncompliance**

Contrary to Ohio Law, the Library invested in stock instruments during the audit 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*

Lane Public Library  
Butler County  
1396 University Boulevard.  
Hamilton, Ohio 45011

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lane Public Library, Butler County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 19, 2008, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the Library's management in a separate letter dated December 19, 2008.

#### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated December 19, 2008.

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

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



**Mary Taylor, CPA**  
Auditor of State

December 19, 2008



**LANE PUBLIC LIBRARY  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Finding For Recovery Repaid Under Audit– Payroll Ledger Error**

According to Library policy, salaries are approved by the Board of Trustees in a Board meeting and documented as part of the minute records of proceedings. Mr. John Aguero was hired by Lane Public Library on February 10, 2003, as an Information Services Librarian. On January 10, 2005, the Board approved his salary as \$33,096 annually. The Library has 24 pay periods; therefore, Mr. Aguero's approved salary rate per pay period was \$1,379. On the pay date October 15, 2005 we noted an input error. The payroll ledger documents a gross pay in the amount of \$1,945.76. This resulted in an overpayment of \$566.76.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. John Aguero, former Information Services Librarian, in the amount of \$566.76 in favor of the Lane Public Library's General Fund. On March 20, 2008, \$571 was repaid to the Lane Public Library's General Fund.

**Officials' Response:**

There was a clerical error which resulted in this overpayment. Lane Public Library officials did contact Mr. Aguero several times concerning this overpayment. He had resigned his position from the Library on October 14, 2006 and the address on file for him was not correct. Lane Library subsequently received the reimbursement from Mr. Aguero.

**FINDING NUMBER 2006-002**

**Noncompliance**

**Ohio Revised Code, § 135.14 and Article VIII, Sections 4 and 6 of the Ohio Constitution**, prohibit public bodies from becoming a "stockholder in any joint stock company, corporation or association". The Library has two investments that contain stock certificates and are mutual funds. The two investments that are not permitted under Ohio law are the USAA Investment fund and the Latta Mutual Fund. The Library mistakenly believed that these investments were established under the Uniform Management of Institutional Funds Act codified in R.C. 1715.51 through 1715.59. This resulted in the Library holding investments that were not in compliance with R.C. 135.14. According to a legal opinion obtained by the Library relating to these funds, the USAA Investment fund and the Latta Mutual Fund are public funds subject to the investment restrictions contained in Chapter 135 since they are not considered endowments as defined in ORC 1715.51(C). The market value of the USAA Investment Fund at 12/31/2006 was \$104,313. The market value of the Latta Mutual Fund at 12/31/2006 was \$494,715. We recommend the Library liquidate these funds and move the funds into investments in accordance the Ohio Revised Code requirements for public bodies.

**Officials' Response:**

Lane Library now understands that the Latta and USAA Funds must be liquidated and invested according to the Ohio Revised Code.





**Mary Taylor, CPA**  
Auditor of State

**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  
JANUARY 8, 2009**