



Dave Yost • Auditor of State

**LANE PUBLIC LIBRARY
BUTLER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis For the Year Ended December 31, 2010	11
Statement of Net Assets – Modified Cash Basis For the Year Ended December 31, 2009	12
Statement of Activities – Modified Cash Basis For the Year Ended December 31, 2010	13
Statement of Activities – Modified Cash Basis For the Year Ended December 31, 2009	14
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds – For the Year Ended December 31, 2010.....	15
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds – For the Year Ended December 31, 2009.....	16
Statement of Receipts, Disbursements and Changes in- Modified Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2010	17
Statement of Receipts, Disbursements and Changes in- Modified Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2009	18
Statement of Receipts, Disbursements and Changes in Fund Balance- Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2010.....	19
Statement of Receipts, Disbursements and Changes in Fund Balance- Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2009	20
Notes to the Basic Financial Statements	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	39
Schedule of Prior Audit Findings.....	41

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Dave Yost • 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, 2010 and 2009, 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 2, 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, 2010 and 2009, and the respective changes in modified cash financial position, thereof and the respective budgetary comparison for the General for 2010 and 2009, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during 2010, the Library adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2012, 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.

We conducted our audit to opine on the Library's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and investments. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 6, 2012

Lane Public Library
Management's Discussion and Analysis
For the Years ended December 31, 2010 and 2009
(Unaudited)

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, 2010 and December 31, 2009 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 2009 are as follows:

Total Net Assets decreased by \$118,281 or 1.6 percent from the prior year. This decrease is attributed to the decrease in the Public Library Fund revenue.

The Library's general receipts are primarily the Public library Fund (PLF), which is 2.2 percent of the State of Ohio's General Revenue Fund. However, in July of 2009, the State Legislature temporarily reduced the percentage that libraries received to 1.97%. General receipts represent 96.7 percent of the total cash received for governmental activities during the year. Additionally, expenses were reduced by enacting a Reduction in Force in August of 2009.

Key highlights for 2010 are as follows:

Total Net Assets increased by \$3,783,775 or 50.8 percent from the prior year. The majority of this increase is attributed to receiving additional contributions..

The Library's general receipts are primarily the Public Library Fund (PLF), which is currently 1.97 percent of the State of Ohio's General Revenue Fund. General receipts represent 59.5 percent of the total cash received for governmental activities during the year. The chief factor in this increase is additional contributions. PLF tax receipts for 2010 decreased by 6.7% compared to 2009 because of the decreased revenue in the State of Ohio's General Revenue Fund coupled with the decreased percentage allocated to public libraries.

Lane Public Library
Management's Discussion and Analysis
For the Years ended December 31, 2010 and 2009
(Unaudited)

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 Library as a whole, 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, 2010 and 2009
(Unaudited)

Reporting the Library as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Library did financially during 2010 and 2009, 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 PLF.

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.

Lane Public Library
Management's Discussion and Analysis
For the Years ended December 31, 2010 and 2009
(Unaudited)

These significant 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 2010 compared to 2009 on a modified cash basis:

(Table 1)
Net Assets – Modified cash

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>Restated 2009</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$5,339,298	\$4,232,145
Investments	<u>5,896,621</u>	<u>3,219,997</u>
Total Assets	<u>\$11,235,919</u>	<u>\$7,452,142</u>
Net Assets		
Restricted for Capital Projects	\$1,164,701	\$ 924,029
Restricted for Special Revenue	265,927	263,602
Permanent Funds	2,964,547	2,641,147
Other Purposes	3,372,519	582,679
Unrestricted	<u>3,468,225</u>	<u>3,040,685</u>
Total Net Assets	<u>\$11,235,919</u>	<u>\$7,452,142</u>

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

Lane Public Library
Management's Discussion and Analysis
For the Years ended December 31, 2010 and 2009
(Unaudited)

- Total expenses decreased by \$1,221,258 in 2010 as compared to 2009. The major difference in expenses was the Reduction in Force conducted in August of 2009. The State's decrease in funding necessitated that the Library decrease expenses.
- The Library received a generous gift from the estate of a loyal library user in 2010. This increased the receipts by \$2,886,662.

Table 2 reflects the changes in net assets in 2010 and 2009 for governmental activities.

(Table 2)
Changes in Net Assets

	<u>2010</u>	<u>Restated 2009</u>
Governmental Activities		
Receipts:		
Program Receipts:		
Charges for Services	\$ 228,178	\$ 244,535
Operating Grants & Contributions	2,892,724	88,676
Capital Grants & Contributions	<u>0</u>	<u>40,950</u>
Total Program Cash Receipts	\$3,120,902	\$ 374,161
General Receipts		
Unrestricted Gifts & Contributions	\$ 47,505	\$ 22,821
Grants & Entitlements	4,559,802	4,853,549
Sale of Capital Assets	0	0
Interest	376,623	93,028
Miscellaneous	<u>33,808</u>	<u>114,284</u>
Total General Receipts	<u>5,017,738</u>	<u>5,083,682</u>
Total Receipts	\$ 8,138,640	\$ 5,457,843
Disbursements:		
Library Services		
Public Services	\$ 1,661,832	\$ 2,543,816
Collection Development & Processing	1,122,303	1,131,158
Support Services		
Facilities Operation & Maintenance	581,907	529,906
Information Services	205,433	226,140
Business Administration	637,917	808,625
Capital Outlay	<u>145,473</u>	<u>336,479</u>
Total Disbursements	\$ 4,354,865	\$ 5,576,124
Change in Net Assets	\$ 3,783,777	\$ (188,281)

Lane Public Library
Management's Discussion and Analysis
For the Years ended December 31, 2010 and 2009
(Unaudited)

<i>Net Assets Beginning of Year</i>	\$ 7,452,142	\$ 7,570,423
Net Assets End of Year	<u>\$11,235,919</u>	<u>\$ 7,452,142</u>

The vast majority of revenue supporting all governmental activities is general revenue. General revenue for 2010 and 2009 totaled \$5,017,738 and \$5,083,682 respectively or 61.7 and 93.1 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 2010, the Library realized \$376,623 in interest revenue which is 4.6% of the total revenue. In 2009, the Library realized \$93,028 in interest revenue which is 1.7% 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 (Public Library Fund).

(Table 3)
Governmental Activities

<u>Programs</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>	<u>Total Cost of Services 2009</u>	<u>Net Cost of Services 2009</u>
Library Services				
Public Service & Programs	\$1,661,832	\$(1,459,070)	\$2,543,816	\$2,293,477
Collection Development	1,122,303	1,122,303	1,131,158	1,048,482
Support Services				
Facilities Operations& Maint.	581,907	581,907	529,906	529,906
Information Services	205,433	205,433	226,140	226,140
Business Administration	637,917	637,917	808,625	808,625
Capital Outlay	<u>145,473</u>	<u>145,473</u>	<u>336,479</u>	<u>295,333</u>
Total Expenses	<u>\$4,354,865</u>	<u>\$(1,233,963)</u>	<u>\$5,576,124</u>	<u>\$5,201,963</u>

The dependence upon General receipts is demonstrated in 2009 as 91.2% of total expenses were supported through this revenue. The dependence upon General receipts is demonstrated in 2010 as 115% of total expenses were supported through this revenue.

Lane Public Library
Management's Discussion and Analysis
For the Years ended December 31, 2010 and 2009
(Unaudited)

The Library's Funds

Information about the Library's Governmental Funds begins on page 6. In 2010, all Governmental Funds had total revenue of \$8,138,640 and expenditures of \$4,354,865. In

2009, all Governmental Funds had total revenue of \$5,457,843 and expenditures of \$5,576,124. The most significant fund is our general fund. In 2010, the unreserved fund balance for the general fund was \$3,468,225 compared to annual expenditures of \$4,325,905. In 2009, the unreserved fund balance for the general fund was \$2,325,301 compared to annual expenditures of \$5,299,449.

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 2010 and 2009, the Library amended its general fund budget, but no amendment increased total appropriations. For the general fund in 2010, original and final budgeted revenues were \$5,637,350 and \$8,460,197; in 2009, they were \$6,360,000 and \$6,360,000 respectively. Original and final budgeted expenditures in the general fund in 2010 were \$5,827,270 and \$7,494,594 and in 2009, they were \$7,034,770 and \$8,920,263.

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 economic outlook for the State of Ohio is uncertainty. This concern about the State's fiscal status impacts the Library's future budgets. The Library Board of Trustees placed a five year .75 mil levy on the ballot in May of 2010. This levy passed and will bring in approximately \$2,500,000 per year. The Library is grateful to the communities for passing this levy in these challenging economic times.

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 Rob Carringer, Fiscal Officer, Lane Public Library, 1396 University Blvd., Hamilton, Ohio 45011.

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Lane Public Library
Statement of Net Assets - Modified Cash Basis
December 31, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	5,339,298
Investments	5,896,621
<i>Total Assets</i>	\$11,235,919
 Net Assets	
Restricted for:	
Capital Projects	1,164,701
Special Revenue	265,927
Permanent Fund Purpose:	
Expendable	1,557,840
Nonexpendable	1,406,707
Assigned for:	
Other Purposes	3,372,519
Unrestricted	3,468,225
<i>Total Net Assets</i>	\$11,235,919

See accompanying notes to the basic financial statements

Lane Public Library
Butler County
Statement of Net Assets - Modified Cash Basis
December 31, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,232,143
Investments	<u>3,219,997</u>
<i>Total Assets</i>	<u><u>\$7,452,140</u></u>
 Net Assets	
Restricted for:	
Capital Projects	\$924,029
Trusts	2,645,260
Other Purposes	1,346,951
Unrestricted	<u>2,535,900</u>
<i>Total Net Assets</i>	<u><u>\$7,452,140</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, 2010*

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
			Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	1,661,833	228,178	2,986,092
Collection Development and Processing	1,122,303		\$1,552,437 (1,122,303)
Support Services:			
Facilities Operation and Maintenance	581,907		(581,907)
Information Services	205,433		(205,433)
Business Administration	637,917		(637,917)
Capital Outlay	145,473		(145,473)
<i>Total Governmental Activities</i>	<u>\$4,354,866</u>	<u>\$228,178</u>	<u>\$2,986,092</u> (1,140,596)
General Receipts			
			40,727
			4,559,803
			290,035
			<u>33,808</u>
			<i>Total General Receipts</i> 4,924,373
			3,783,777
			<i>Net Assets Beginning of Year</i> <u>7,452,142</u>
			<i>Net Assets End of Year</i> <u>\$11,235,919</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, 2009*

	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
Governmental Activities					
Library Services:					
Public Service and Programs	2,543,816	244,339	6,000		(\$2,293,477)
Collection Development & Process	1,131,158		82,676		(1,048,482)
Support Services:					
Facilities Operation and Maintenance	529,906				(529,906)
Information Services	226,140				(226,140)
Business Administration	808,625				(808,625)
Capital Outlay	336,479	196		40,950	(295,333)
Total Governmental Activities	\$5,576,124	\$244,535	\$88,676	\$40,950	(5,201,963)

General Receipts

Unrestricted Gifts and Contributions	22,821
Grants and Entitlements not Restricted to Specific I	4,853,549
Interest	93,028
Miscellaneous	114,284
Total General Receipts	5,083,682
Change in Net Assets	(118,281)
Net Assets Beginning of Year	7,570,421
Net Assets End of Year	\$7,452,140

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, 2010

	General	Capital Projects	Havighurst Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	4,028,159	\$910,248	3,695	397,196	\$5,339,298
Investments	2,812,585		2,960,852	123,184	5,896,621
<i>Total Assets</i>	<u>\$6,840,744</u>	<u>\$910,248</u>	<u>\$2,964,547</u>	<u>\$520,380</u>	<u>\$11,235,919</u>
Fund Balances					
Nonspendable			\$1,406,707		\$1,406,707
Restricted			\$1,557,840	\$265,927	1,823,767
Assigned	3,372,519	910,248		254,453	4,537,220
Unassigned (Deficit)	3,468,225				3,468,225
<i>Total Fund Balances</i>	<u>\$6,840,744</u>	<u>\$910,248</u>	<u>\$2,964,547</u>	<u>\$520,380</u>	<u>\$11,235,919</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, 2009*

	<u>General</u>	<u>Capital Projects</u>	<u>Havighurst</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,535,900	\$924,029	\$8,176	\$764,038	\$4,232,143
Investments			2,632,971	587,026	3,219,997
<i>Total Assets</i>	<u>\$2,535,900</u>	<u>\$924,029</u>	<u>\$2,641,147</u>	<u>\$1,351,064</u>	<u>\$7,452,140</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$210,599	\$20,753		\$1,246	\$232,598
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$ 2,325,301				\$ 2,325,301
Special Revenue Funds				\$ 1,091,504	1,091,504
Capital Projects Funds		\$ 903,276		254,201	1,157,477
Permanent Funds			\$2,641,147	4,113	2,645,260
<i>Total Fund Balances</i>	<u>\$2,535,900</u>	<u>\$924,029</u>	<u>\$2,641,147</u>	<u>\$1,351,064</u>	<u>\$7,452,140</u>

See accompanying notes to the basic financial statements

Lane Public Library
Butler County
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2010

	General	Capital Projects	Havighurst Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Intergovernmental	4,565,865				4,565,865
Patron Fines and Fees	228,178				228,178
Contributions, Gifts and Donations	2,931,668			2,500	2,934,168
Earnings on Investments	39,129	7,614	327,899	1,982	376,624
Miscellaneous	32,647			1,161	33,808
<i>Total Receipts</i>	<u>7,797,487</u>	<u>7,614</u>	<u>327,899</u>	<u>5,643</u>	<u>8,138,643</u>
Disbursements					
Current:					
Library Services:					
Public Services and Programs	1,659,454			2,379	1,661,833
Collection Development and Processing	1,121,616			687	1,122,303
Support Services:					
Facilities Operation and Maintenance	581,907				581,907
Information Services	205,433				205,433
Business Administration	632,775	642	4,500		637,917
Capital Outlay	124,720	20,753			145,473
<i>Total Disbursements</i>	<u>4,325,905</u>	<u>21,395</u>	<u>4,500</u>	<u>3,066</u>	<u>4,354,866</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,471,582</u>	<u>(13,781)</u>	<u>323,399</u>	<u>2,577</u>	<u>3,783,777</u>
<i>Net Change in Fund Balances</i>	3,471,582	(13,781)	323,399	2,577	3,783,777
<i>Fund Balances Beginning of Year Restated</i>	<u>3,369,162</u>	<u>924,029</u>	<u>2,641,148</u>	<u>517,803</u>	<u>7,452,142</u>
<i>Fund Balances End of Year</i>	<u>\$6,840,744</u>	<u>\$910,248</u>	<u>\$2,964,547</u>	<u>\$520,380</u>	<u>\$11,235,919</u>

See accompanying notes to the basic financial statements

Lane Public Library
Butler County
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Havighurst</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts					
Intergovernmental	\$ 4,894,499				\$ 4,894,499
Patron Fines and Fees	244,339				244,339
Contributions, Gifts and Donations				\$ 111,497	111,497
Earnings on Investments	23,559	\$ 10,469	\$ 49,915	9,085	93,028
Miscellaneous	112,688			1,792	114,480
<i>Total Receipts</i>	<u>5,275,085</u>	<u>10,469</u>	<u>49,915</u>	<u>122,374</u>	<u>5,457,843</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	2,534,209			9,607	2,543,816
Collection Development and Processing	1,116,523			14,635	1,131,158
Support Services:					
Facilities Operation and Maintenance	529,516			390	529,906
Information Services	226,140			0	226,140
Business Administration	788,586	19,085	954	0	808,625
Capital Outlay	104,475	153,254		78,750	336,479
<i>Total Disbursements</i>	<u>5,299,449</u>	<u>172,339</u>	<u>954</u>	<u>103,382</u>	<u>5,576,124</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,364)</u>	<u>(161,870)</u>	<u>48,961</u>	<u>18,992</u>	<u>(118,281)</u>
<i>Net Change in Fund Balances</i>	(24,364)	(161,870)	48,961	18,992	(118,281)
<i>Fund Balances Beginning of Year</i>	<u>2,560,264</u>	<u>1,085,899</u>	<u>2,592,186</u>	<u>1,332,072</u>	<u>7,570,421</u>
<i>Fund Balances End of Year</i>	<u>\$2,535,900</u>	<u>\$924,029</u>	<u>\$2,641,147</u>	<u>\$1,351,064</u>	<u>\$7,452,140</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, 2010*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$5,300,000	\$4,238,492	\$4,565,865	\$327,373
Patron Fines and Fees	245,000	250,000	228,178	(21,822)
Contributions, Gifts and Donations	61,000	3,912,260	2,931,668	(980,592)
Earnings on Investments	25,350	49,445	39,129	(10,316)
Miscellaneous	6,000	10,000	32,647	22,647
<i>Total Receipts</i>	5,637,350	8,460,197	7,797,487	(662,710)
Disbursements				
Current:				
Library Services:				
Public Services and Programs	2,820,087	1,957,367	1,659,454	297,913
Collection Development and Processing	1,247,509	1,359,584	1,121,616	237,968
Support Services:				
Facilities Operation and Maintenance	599,240	658,993	581,907	77,086
Information Services	834,743	223,955	205,433	18,522
Business Administration	218,441	668,087	632,775	35,312
Capital Outlay	107,250	3,076,364	124,720	2,951,644
<i>Total Disbursements</i>	5,827,270	7,944,350	4,325,905	3,618,444
<i>Excess of Receipts Over (Under) Disbursements</i>	(189,920)	515,847	3,471,582	2,955,735
Other Financing Sources (Uses)				
Transfers In	100,000			0
<i>Total Other Financing Sources (Uses)</i>	100,000	0	0	0
<i>Net Change in Fund Balance</i>	(89,920)	515,847	3,471,582	2,955,735
<i>Unencumbered Fund Balance Beginning of Year Restated</i>	3,157,719	3,157,719	3,157,719	0
Prior Year Encumbrances Appropriated	211,443	211,443	211,443	0
<i>Unencumbered Fund Balance End of Year</i>	\$3,279,242	\$3,885,009	\$6,840,744	\$2,955,735

See accompanying notes to the basic financial statements

Lane Public Library
Butler County
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$6,000,000	\$6,000,000	\$4,894,499	(\$1,105,501)
Patron Fines and Fees	240,000	240,000	244,339	4,339
Earnings on Investments	112,000	112,000	23,559	(88,441)
Miscellaneous	8,000	8,000	112,688	104,688
<i>Total receipts</i>	6,360,000	6,360,000	5,275,085	(1,084,915)
Disbursements				
Current:				
Library Services:				
Public Service and Programs	3,499,890	3,153,087	2,534,209	618,878
Collection Development and Processing	1,793,444	1,421,132	1,116,523	304,609
Facilities Operation and Maintenance	630,872	611,880	529,516	82,364
Information Services	204,662	248,286	226,140	22,146
Business Administration	780,902	848,855	788,586	60,269
Capital Outlay	125,000	2,637,024	104,475	2,532,549
<i>Total Disbursements</i>	7,034,770	8,920,264	5,299,449	3,620,815
<i>Excess of Receipts Over (Under) Disbursements</i>	(674,770)	(2,560,264)	(24,364)	2,535,900
<i>Net Change in Fund Balance</i>	(674,770)	(2,560,264)	(24,364)	2,535,900
<i>Fund Balance Beginning of Year</i>	2,560,264	2,560,264	2,560,264	0
Prior Year Encumbrances Appropriated	94,397	94,397	94,397	0
<i>Fund Balance End of Year</i>	\$1,885,494	\$0	\$2,535,900	\$2,535,900

See accompanying notes to the basic financial statements

Lane Public Library

Butler County

Notes to the Basic Financial Statements

For the Years ended December 31, 2010 and 2009

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. 61 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
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

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

The Friends of the Hamilton-Fairfield Lane 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. 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 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

Lane Public Library
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

Note 2 – Summary of Significant Accountings Policies (continued)

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
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

Note 2 – Summary of Significant Accountings Policies (continued)

The other governmental funds of the Library account for and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

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
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

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 were all considered to be modifications to cash and are therefore reported as investments for 2009. In accordance with the Butler County Prosecutor's ruling, the Latta Fund was converted to cash equivalent investments and is recorded as such for 2010. The Havighurst, USAA and the majority of the Roesel Funds are reported as investments for 2010.

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.

The nonnegotiable certificates of deposit are recorded at cost. The Havighurst, Latta, USAA, and Roesel 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 while the Roesel Funds are being held and invested by National Retirement Consultants, Inc.

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, 2010.

Lane Public Library
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

Note 2 – Summary of Significant Accounting Principles (continued)

Investment procedures are restricted by the provision of the Ohio Revised Code. Interest receipts credited to the general fund during 2010 amounted to \$39,128 and for 2009 amounted to \$23,559.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use can change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent \$1,823,767.

G. 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.

H. Capital Assets

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

I. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Lane Public Library
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

Note 2 – Summary of Significant Accounting Principles (continued)

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3–Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For 2010, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had the following effect on fund balances of the major governmental funds and all other governmental funds as previously reported:

Lane Public Library
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

Note 3 – Change in Accounting Principle and Restatement of Net Assets/Fund Equity
(continued)

	General	Capital Projects	Havighurst	Other Governmental Funds	Total
Fund Balance at					
December 31, 2009	\$2,535,902	\$924,029	\$2,641,148	\$1,351,063	\$7,452,142
GASB 54 Change in in Fund Structure	833,260	0	0	(833,260)	0
Adjusted Fund Balance at					
December 31, 2009	<u>\$3,369,162</u>	<u>\$924,029</u>	<u>\$2,641,148</u>	<u>\$517,803</u>	<u>\$7,452,142</u>

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – 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 outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance. The encumbrances outstanding at year end (budgetary basis) amounted to \$127,782 in 2010 and \$210,599 in 2009 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.

Lane Public Library
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

Note 5 – Deposits and Investments (continued)

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.

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,

Lane Public Library
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

Note 5 – Deposits and Investments (continued)

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. Payments for investments may be made only upon delivery of the securities representing the investments to the fiscal officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At December 31, 2010 the Library had \$200 in Petty Cash and \$670 in the Change Fund. For December 31, 2009, there was \$200 in Petty Cash and \$964.60 in the Change Fund.

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, 2010 \$4,215,984 of the Library's bank balance of \$4,465,984 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, 2009, \$3,758,229 of the Library's bank balance of \$4,021,634 was exposed to custodial credit risk.

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

As of December 31, 2010, the Library had the following investments:

Lane Public Library
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

Note 5 – Deposits and Investments (continued)

Investment Type	Carrying Value	Investment Maturities (in Years)			
		Less than 1	1-2	3-5	More than 5
US Treasury Notes	\$ 426,873	\$125,493	\$124,556	\$176,825	0
US Govt. Agency Bonds	250,539	250,539			
Certificate of Deposit	100,000		50,000	50,000	
US Govt. Mutual Fund	127,890	127,890			
US Govt. Money Mkt.	74,078	74,078			
Govt. & Corp. Bon Mutual Fund	636,940	636,940			
USAA Growth Mutual Funds	123,184	123,184			
Corporate Mutual Fund	3,070,759	3,070,759			
Common Stock	1,144,220	1,144,220			
Exchange Traded Funds - Equity	446,739	446,739			
North Inst. Govt. Select Funds	53,290	53,290			
STAR Ohio	349,423	349,423			
Total Investments	\$6,803,935	\$6,402,555	\$174,556	\$226,825	0

As of December 31, 2009, 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	\$499,373	\$124,109	\$250,049	\$125,215	\$0
USAA Growth Mutual Funds	123,184	123,184			
Corporate Mutual Fund	481,408	481,408			
Stock Mutual Funds	440,183	440,183			
Common Stock	1,301,029	1,301,029			
Exchange Traded Funds - Equity	307,341	307,341			
Government Funds	67,479	67,479			
STAR Ohio	269,887	269,887			
Total Investments	\$3,489,884	\$3,114,620	\$250,049	\$125,215	\$0

Credit Risk

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

Custodial Credit Risk

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

Lane Public Library

Butler County

Notes to the Basic Financial Statements

For the Years ended December 31, 2010 and 2009

(Continued)

Note 5 – Deposits and Investments (continued)

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."

Interest Rate Risk

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.

The Library does not have an investment policy dealing with investment concentration of credit risk.

Concentration of Credit Risk

The Library places no limit on the amount it may invest in any one issuer.

The following table indicates the percentage of each investment compared to the Library's total portfolio as of December 31, 2010:

	Carrying Value	Percentage of Portfolio
Common Stock	\$1,144,220	16.8%
STAR	\$ 349,423	5.1%

The following table indicates the percentage of each investment compared to the Library's total portfolio as of December 31, 2009

	Carrying Value	Percentage of Portfolio
Common Stock	\$1,301,029	37.3%
STAR	269,887	7.7%

Lane Public Library
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(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 2009 and part of 2010, the Library belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Library participated in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Library participates in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Lane Public Library
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

Note 6 – Risk Management (continued)

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009, and include amounts for both OPRRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

During part of 2010, 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	\$1,000,000
Cincinnati Insurance Company	Vehicles	\$1,000,000
	Commercial Umbrella	\$5,000,000
Travelers Insurance Company	Surety Bonds	\$50,000
Cincinnati 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 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.

Lane Public Library
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

Note 7– Defined Benefit Pension Plan

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – The Library participates in the Ohio Public Employees Retirement System (OPERS). OPER administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPER provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2010, member and employer contribution rates were consistent across all three plans.

The Library’s 2010 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

Lane Public Library
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

Note 7– Defined Benefit Pension Plan (continued)

The Library’s required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$271,957, \$393,958, and \$441,746, respectively; the full amount has been contributed for 2010, 2009, and 2008.

Note 8 – Postemployment Benefits

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Lane Public Library
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

Note 8 – Postemployment Benefits (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$271,957, \$393,958, and \$441,746, respectively; the full amount has been contributed for 2010, 2009, and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

Note 9 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds as of December 31, 2010 are presented below:

Lane Public Library
Butler County
Notes to the Basic Financial Statements
For the Years ended December 31, 2010 and 2009
(Continued)

Note 9 – Fund Balances (continued)

		Capital	Havighurst	Other	Total
	General	Projects	Fund	Governmental	Governmental
Fund Balances				Funds	Funds
Nonspendable:					
Endowment for Oxford Branch			1,406,707		1,406,707
Total Nonspendable	-	-	1,406,707	-	1,406,707
Restricted for:					
primarily for books, programs, etc.				265,927	265,927
Construction of Oxford Facility			1,557,840		1,557,840
Total Restricted	-	-	1,557,840	265,927	1,823,767
Committed to:					
None					-
Total Committed	-	-	-	-	-
Assigned to:					
Encumbrances	127,782				127,782
Capital Projects		910,248		254,453	1,164,701
Hamilton Branch (Roesel Fund)	2,886,662				2,886,662
Gifts and Memorials	193,383				193,383
Other Purposes	164,692				164,692
Total Assigned	3,372,519	910,248	-	254,453	4,537,220
Unassigned	3,468,225				3,468,225
Total Fund Balances	6,840,744	910,248	2,964,547	520,380	11,235,919



Dave Yost • 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, 2010 and 2009, which collectively comprise the Library's basic financial statements and have issued our report thereon dated April 6, 2012, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. As described in Note 3, during 2010, the Library adopted the provisions of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and governmental Fund Type Definitions*. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 6, 2012

LANE PUBLIC LIBRARY
BUTLER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Investments not allowed by ORC 135.14 and the Ohio Constitution Article VIII Sections 4 and 6	Yes	

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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
MAY 10, 2012