



Dave Yost • Auditor of State

**LANE PUBLIC LIBRARY
BUTLER COUNTY**

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LANE PUBLIC LIBRARY
BUTLER COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

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, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2C describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2012 and 2011, and the respective changes in modified cash financial position, thereof and the respective budgetary comparison for the General Fund and the Havighurst Fund for 2012 and 2011, thereof for the years then ended in accordance with the accounting basis described in Note 2C.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2011 and 2012, the Library adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

Accounting Basis

We draw attention to Note 2C of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Library's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net assets, changes in net assets, governmental activities and investments. These tables provide additional analysis and are not a required part of the basic financial statements.

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. We subjected this information 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

August 20, 2013

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Lane Public Library
Management's Discussion and Analysis
For the Years ended December 31, 2012 and 2011
(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, 2012 and December 31, 2011 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 2011 are as follows:

Total Net Assets increased by \$3,479,258 or 31% from the prior year. The majority of this increase is attributed to receiving \$2,617,471 from real estate taxes per the Operating Levy passed in May, 2010. An additional contribution of \$753,551 was received for the Roesel Fund.

The Library's general receipts are primarily the Public Library Fund (PLF) and Real Estate Taxes. General receipts represent 87.6% of the total cash received for governmental activities during the year. The chief factor in this increase is the Real Estate Taxes and transfers to Capital Projects and Building Maintenance Funds. PLF tax receipts for 2011 increased by 6.1% compared to 2010.

Key highlights for 2012 are as follows:

Total Net Assets increased by \$1,728,901 or 11.7% from the prior year. The majority of this increase is attributed to spending less than the total revenues received in 2012.

The Library's general receipts are primarily the Public Library Fund (PLF) and Real Estate Taxes. General receipts represent 96.2% of the total cash received for governmental activities during the year. Real Estate tax receipts decreased by 3.1% for 2012 and PLF tax receipts for 2012 decreased by 8.0% compared to 2011.

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 and Statement No. 63, 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 Position – Modified Cash Basis and Statement of Activities – Modified cash basis provide information about the activities of the whole Library, presenting both an

Lane Public Library
Management's Discussion and Analysis
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(Unaudited)

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.

Reporting the Library as a Whole

The Statement of Net Position and the Statement of Activities reflect how the Library did financially during 2012 and 2011, within the limitations of modified cash basis accounting. The Statement of Net Position – 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's 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 Public Library Fund (PLF).

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(Unaudited)

The Statement of Net Position – 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 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 11 of this report.

The Library as a Whole

Recall that the Statement of Net Position pictures the Library as a whole. Table 1 provides a summary of the Library's net position for 2012 compared to 2011 on a modified cash basis:

Lane Public Library
Management's Discussion and Analysis
For the Years ended December 31, 2012 and 2011
(Unaudited)

(Table 1)

Net Position – Modified cash

| | <u>Governmental Activities</u> | |
|--|--------------------------------|---------------------|
| | <u>2012</u> | <u>2011</u> |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$10,415,279 | \$8,376,213 |
| Investments | <u>6,028,799</u> | <u>6,338,964</u> |
| Total Assets | <u>16,444,078</u> | <u>14,715,177</u> |
| Net Assets | | |
| Restricted for: | | |
| Capital Projects | 4,570,699 | 3,366,699 |
| Special Revenue | 3,539,651 | 3,412,238 |
| Assigned | 4,416,854 | 4,309,106 |
| Unrestricted | <u>3,916,874</u> | <u>3,627,134</u> |
| Total Net Position | <u>\$16,444,078</u> | <u>\$14,715,177</u> |

As mentioned previously, net position of governmental activities increased.

The primary reasons contributing to the increases in cash balances are as follows:

- Total Net Assets increased by \$1,728,901 in 2012. The primary reason can be attributed to the following:
 - Receipts were \$7,638,505 for 2012. Disbursements were \$5,909,604. This activity resulted in an increase in Net Assets of \$1,728,901 for 2012. When possible, the Library would like to incur savings by spending less than the receipts received for the year. These funds can then be used toward special projects or operating expenses as needed in future years.

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For the Years ended December 31, 2012 and 2011
(Unaudited)

Table 2 reflects the changes in net assets in 2012 and 2011 for governmental activities.

(Table 2)
Changes in Net Position

| | 2012 | 2011 |
|-------------------------------------|---------------------|----------------------|
| Receipts: | | |
| Program Receipts: | | |
| Charges for Services | \$ 193,341 | \$ 209,074 |
| Operating Grants & Contributions | <u>95,360</u> | <u>885,713</u> |
| Total Program Cash Receipts | <u>288,701</u> | <u>1,094,787</u> |
| General Receipts | | |
| Property Taxes Levied | 2,536,653 | 2,617,471 |
| Unrestricted Gifts & Contributions | 6,169 | 8,531 |
| Grants & Entitlements | 4,451,527 | 4,838,713 |
| Sale of Capital Assets | 6 | 541 |
| Interest | 305,852 | 261,150 |
| Miscellaneous | <u>49,597</u> | <u>13,732</u> |
| Total General Receipts | <u>7,349,804</u> | <u>7,740,138</u> |
| Total Receipts | <u>7,638,505</u> | <u>8,834,925</u> |
| Disbursements: | | |
| Library Services | | |
| Public Services | 2,191,836 | 1,833,859 |
| Collection Development & Processing | 1,719,953 | 1,606,561 |
| Support Services | | |
| Facilities Operation & Maintenance | 607,419 | 598,681 |
| Information Services | 240,037 | 207,245 |
| Business Administration | 857,568 | 726,876 |
| Capital Outlay | <u>292,791</u> | <u>382,445</u> |
| Total Disbursements | <u>5,909,604</u> | <u>5,355,667</u> |
| Change in Net Position | 1,728,901 | 3,479,258 |
| Net Assets Beginning of Year | <u>14,715,177</u> | <u>11,235,919</u> |
| Net Assets End of Year | <u>\$16,444,078</u> | <u>\$ 14,715,177</u> |

The vast majority of revenue supporting all governmental activities is general revenue. General revenue for 2012 and 2011 totaled \$7,349,804 and \$7,740,138 respectively or 96.2% and 87.6% of total revenue.

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(Unaudited)

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 2012, the Library realized \$305,852 in interest revenue which is 4% of the total revenue. In 2011, the Library realized \$261,150 in interest revenue which is 2.9% 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 (Public Library Fund).

(Table 3)
Governmental Activities

| <u>Programs</u> | <u>Total Cost of Services 2012</u> | <u>Net Cost of Services 2012</u> | <u>Total Cost of Services 2011</u> | <u>Net Cost of Services 2011</u> |
|-------------------------------|--|--|--|--|
| Library Services | | | | |
| Public Service & Programs | \$2,191,836 | \$ 1,903,135 | \$ 1,833,859 | \$ 739,072 |
| Collection Development | 1,719,953 | 1,719,953 | 1,606,561 | 1,606,561 |
| Support Services | | | | |
| Facilities Operations& Maint. | 607,419 | 607,419 | 598,681 | 598,681 |
| Information Services | 240,037 | 240,037 | 207,245 | 207,245 |
| Business Administration | 857,568 | 857,568 | 726,876 | 726,876 |
| Capital Outlay | <u>292,791</u> | <u>292,791</u> | <u>382,445</u> | <u>382,445</u> |
| Total Expenses | <u>\$5,909,604</u> | <u>\$ 5,620,903</u> | <u>\$ 5,355,667</u> | <u>\$ 4,260,880</u> |

The dependence upon General Receipts is demonstrated in 2012 as 80.4% of total expenses were supported through this revenue. The dependence upon General Receipts is demonstrated in 2011 as 69.2% of total expenses were supported through this revenue.

The Library's Funds

Information about the Library's Governmental Funds begins on page 6. In 2012, all Governmental Funds had total revenue of \$8,838,505 and expenditures of \$7,109,604. In 2011, all Governmental Funds had total revenue of \$11,034,925 and expenditures of \$7,555,667. The most significant fund is our general fund. In 2012, the unreserved fund balance for the general fund was \$3,919,026 compared to annual expenditures of \$5,863,739 in 2011, the unreserved fund balance for the general fund was \$3,627,135 compared to annual expenditures of \$5,341,507.

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 funds are the General and Havighurst Funds. During the course of 2012 and 2011, the Library amended its general fund budget, but no amendment increased total appropriations. For

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Management's Discussion and Analysis
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(Unaudited)

the General Fund in 2012, original and final budgeted revenues were \$7,400,282 and \$7,290,298; in 2011, they were \$6,976,953 and \$8,947,905 respectively. Original and final budgeted expenditures in the General Fund in 2012 were \$7,347,814 and \$9,399,895 and in 2011, they were \$7,053,755 and \$12,554,540. For the Havighurst Fund in 2012, original and final budgeted revenues were \$100,175 and \$100,165; in 2011, they were \$100,175 and \$100,115 respectively. Original and final budgeted expenditures in the Havighurst Fund in 2012 were \$9,165 and \$550,000 and in 2011, they were \$0 and \$3,064,662.

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 brought in tax levy receipts in 2012 and 2011 of approximately \$2,536,653 and \$2,617,471, respectively.

During 2012, the Library started the initial process of building a new branch in Oxford, Ohio. Meetings were held to select possible building sites and present those findings to the Community. At this time, no financial or legal commitments have been made by the Library concerning this project.

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

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Lane Public Library
Statement of Net Position- Modified Cash Basis
December 31, 2012

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$10,415,279 |
| Investments | <u>6,028,799</u> |
| <i>Total Assets</i> | <u>16,444,078</u> |
| | |
| Net Position | |
| Restricted for: | |
| Special Revenue | 3,539,651 |
| Unrestricted | <u>12,904,427</u> |
| <i>Total Net Position</i> | <u><u>\$16,444,078</u></u> |

See accompanying notes to the basic financial statements.

Lane Public Library
Statement of Net Position - Modified Cash Basis
December 31, 2011

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$8,226,569 |
| Investments | <u>6,488,608</u> |
| <i>Total Assets</i> | <u>14,715,177</u> |
| Net Position | |
| Restricted for: | |
| Special Revenue | 3,412,238 |
| Unrestricted | <u>11,302,939</u> |
| <i>Total Net Position</i> | <u><u>\$14,715,177</u></u> |

See accompanying notes to the basic financial statements.

Lane Public Library
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2012

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Position |
|---|-----------------------|--------------------------------------|--|--|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | \$2,191,836 | \$193,341 | \$95,360 | (\$1,903,135) |
| Collection Development and Processing | 1,719,953 | | | (1,719,953) |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 607,419 | | | (607,419) |
| Information Services | 240,037 | | | (240,037) |
| Business Administration | 857,568 | | | (857,568) |
| Capital Outlay | 292,791 | | | (292,791) |
| Total Governmental Activities | \$5,909,604 | \$193,341 | \$95,360 | (5,620,903) |
| General Receipts: | | | | |
| | | | | 2,536,653 |
| Property Taxes Levied for General Purposes | | | | 6,169 |
| Unrestricted Gifts and Contributions | | | | 4,451,527 |
| Grants/Entitlements not Restricted to Specific Programs | | | | 6 |
| Sale of Capital Assets | | | | 305,852 |
| Earnings on Investments | | | | 49,597 |
| Miscellaneous | | | | 7,349,804 |
| Total General Receipt & Contributions | | | | 7,349,804 |
| Change in Net Position | | | | 1,728,901 |
| Net Position at Beginning of Year | | | | 14,715,177 |
| Net Position at the End of Year | | | | \$16,444,078 |

See accompanying notes to the basic financial statements.

Lane Public Library
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2011

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Position |
|---------------------------------------|-----------------------|--------------------------------------|---|--|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | \$1,833,859 | \$209,074 | \$885,713 | (\$739,072) |
| Collection Development and Processing | 1,606,561 | | | (1,606,561) |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 598,681 | | | (598,681) |
| Information Services | 207,245 | | | (207,245) |
| Business Administration | 726,876 | | | (726,876) |
| Capital Outlay | 382,445 | | | (382,445) |
| Total Governmental Activities | \$5,355,667 | \$209,074 | \$885,713 | (4,260,880) |
| | | General Receipts: | | |
| | | | Property Taxes Levied for General Purposes | 2,617,471 |
| | | | Unrestricted Gifts and Contributions | 8,531 |
| | | | Grants/Entitlements not Restricted to Specific Programs | 4,838,713 |
| | | | Sale of Capital Assets | 541 |
| | | | Earnings on Investments | 261,150 |
| | | | Miscellaneous | 13,732 |
| | | | Total General Receipt & Contributions | 7,740,138 |
| | | | Change in Net Position | 3,479,258 |
| | | | Net Position at Beginning of Year | 11,235,919 |
| | | | Net Position at the End of Year | \$14,715,177 |

See accompanying notes to the basic financial statements.

Lane Public Library
Statement of Assets and Fund Balances- Modified Cash Basis
Governmental Funds
December 31, 2012

| | <u>General</u> | <u>Capital Projects</u> | <u>Havighurst Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|--------------------|-----------------------------|-----------------------------|---|---|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equiva | \$4,679,607 | \$3,514,849 | \$895,974 | \$1,324,849 | \$10,415,279 |
| Investments | <u>3,654,121</u> | <u> </u> | <u>2,250,586</u> | <u>124,092</u> | <u>6,028,799</u> |
| <i>Total Assets</i> | <u>8,333,728</u> | <u>3,514,849</u> | <u>3,146,560</u> | <u>1,448,941</u> | <u>16,444,078</u> |
| Fund Balances | | | | | |
| Nonspendable | | | | | - |
| Restricted | | | 3,146,560 | 393,091 | 3,539,651 |
| Assigned | 4,416,854 | 3,514,849 | | 1,055,850 | 8,987,553 |
| Unassigned (Deficit) | <u>3,916,874</u> | <u> </u> | <u> </u> | <u> </u> | <u>3,916,874</u> |
| <i>Total Fund Balances</i> | <u>\$8,333,728</u> | <u>\$3,514,849</u> | <u>\$ 3,146,560</u> | <u>\$ 1,448,941</u> | <u>\$16,444,078</u> |

See accompanying notes to the basic financial statements.

Lane Public Library
Statement of Assets and Fund Balances- Modified Cash Basis
Governmental Funds
December 31, 2011

| | General | Capital Projects | Havighurst Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|---------------------|--------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$3,859,776 | \$2,511,856 | \$797,821 | \$1,057,116 | \$8,226,569 |
| Investments | 4,076,464 | | 2,288,518 | 123,626 | 6,488,608 |
| <i>Total Assets</i> | <u>7,936,240</u> | <u>2,511,856</u> | <u>3,086,339</u> | <u>1,180,742</u> | <u>14,715,177</u> |
| Fund Balances | | | | | |
| Restricted | | | 3,086,339 | 325,899 | 3,412,238 |
| Assigned | 4,309,103 | 2,511,856 | - | 854,843 | 7,675,802 |
| Unassigned (Deficit) | 3,627,137 | | | | 3,627,137 |
| <i>Total Fund Balances</i> | <u>\$7,936,240</u> | <u>\$2,511,856</u> | <u>\$3,086,339</u> | <u>\$1,180,742</u> | <u>\$14,715,177</u> |

See accompanying notes to the basic financial statements.

Lane Public Library
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2012

| | General | Capital Projects | Havighurst Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|---------------------|--------------------|--------------------------------|--------------------------------|
| Receipts | | | | | |
| Property and Other Local Taxes | \$2,536,653 | | | | \$2,536,653 |
| Intergovernmental | 4,451,527 | | | | 4,451,527 |
| Patron Fines and Fees | 193,341 | | | | 193,341 |
| Contributions, Gifts and Donations | 31,926 | | 497 | 69,106 | 101,529 |
| Earnings on Investments | 198,527 | 2,993 | 102,424 | 1,908 | 305,852 |
| Miscellaneous | 49,254 | | | 349 | 49,603 |
| <i>Total Receipts</i> | <u>7,461,228</u> | <u>2,993</u> | <u>102,921</u> | <u>71,363</u> | <u>7,638,505</u> |
| Disbursements | | | | | |
| Current: | | | | | |
| Library Services: | | | | | |
| Public Services and Programs | 2,191,536 | | | 300 | 2,191,836 |
| Collection Development and Processing | 1,719,084 | | | 869 | 1,719,953 |
| Support Services: | | | | | |
| Facilities Operation and Maintenance | 607,419 | | | | 607,419 |
| Information Services | 240,037 | | | | 240,037 |
| Business Administration | 814,868 | | 42,700 | | 857,568 |
| Capital Outlay | 290,796 | | | 1,995 | 292,791 |
| <i>Total Disbursements</i> | <u>5,863,740</u> | <u>-</u> | <u>42,700</u> | <u>3,164</u> | <u>5,909,604</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,597,488</u> | <u>2,993</u> | <u>60,221</u> | <u>68,199</u> | <u>1,728,901</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | | 1,000,000 | | 200,000 | 1,200,000 |
| Transfers Out | (1,200,000) | | | | (1,200,000) |
| Total Other Financing Sources (Uses) | <u>(1,200,000)</u> | <u>1,000,000</u> | <u>-</u> | <u>200,000</u> | <u>-</u> |
| Net Change in Fund Balances | 397,488 | 1,002,993 | 60,221 | 268,199 | 1,728,901 |
| Fund Balances Beginning of Year | 7,936,240 | 2,511,856 | 3,086,339 | 1,180,742 | 14,715,177 |
| Fund Balances End of Year | <u>\$8,333,728</u> | <u>\$3,514,849</u> | <u>\$3,146,560</u> | <u>\$1,448,941</u> | <u>\$16,444,078</u> |

See accompanying notes to the basic financial statements.

Lane Public Library
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2011

| | General | Capital Projects | Havighurst Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|---------------------|--------------------|--------------------------------|--------------------------------|
| Receipts | | | | | |
| Property and Other Local Taxes | \$2,617,471 | | | | \$2,617,471 |
| Intergovernmental | 4,866,313 | | | | 4,866,313 |
| Patron Fines and Fees | 209,074 | | | | 209,074 |
| Contributions, Gifts and Donations | 805,617 | | 427 | 60,600 | 866,644 |
| Earnings on Investments | 124,329 | 1,608 | 133,134 | 2,079 | 261,150 |
| Miscellaneous | 14,199 | | | 74 | 14,273 |
| <i>Total Receipts</i> | <u>8,637,003</u> | <u>1,608</u> | <u>133,561</u> | <u>62,753</u> | <u>8,834,925</u> |
| Disbursements | | | | | |
| Current: | | | | | |
| Library Services: | | | | | |
| Public Services and Programs | 1,832,776 | | | 1,083 | 1,833,859 |
| Collection Development and Processing | 1,606,366 | | | 195 | 1,606,561 |
| Support Services: | | | | | |
| Facilities Operation and Maintenance | 598,681 | | | | 598,681 |
| Information Services | 207,245 | | | | 207,245 |
| Business Administration | 715,107 | | 11,769 | | 726,876 |
| Capital Outlay | 381,332 | | | 1,113 | 382,445 |
| <i>Total Disbursements</i> | <u>5,341,507</u> | <u>1,608</u> | <u>11,769</u> | <u>2,391</u> | <u>5,355,667</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>3,295,496</u> | <u>1,608</u> | <u>121,792</u> | <u>60,362</u> | <u>3,479,258</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | | 1,600,000 | | 600,000 | 2,200,000 |
| Transfers Out | (2,200,000) | | | | (2,200,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(2,200,000)</u> | <u>1,600,000</u> | <u>121,792</u> | <u>660,362</u> | <u>3,479,258</u> |
| <i>Net Change in Fund Balances</i> | 1,095,496 | 1,601,608 | 121,792 | 660,362 | 3,479,258 |
| <i>Fund Balances Beginning 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> |
| <i>Fund Balances End of Year</i> | <u>\$7,936,240</u> | <u>\$2,511,856</u> | <u>\$3,086,339</u> | <u>\$1,180,742</u> | <u>\$14,715,177</u> |

See accompanying notes to the basic financial statements.

Lane Public Library
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|-------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$2,500,000 | \$2,295,000 | \$2,536,653 | \$241,653 |
| Intergovernmental | 4,500,000 | 4,596,781 | 4,451,527 | (145,254) |
| Patron Fines and Fees | 225,000 | 225,475 | 193,341 | (32,134) |
| Contributions, Gifts and Donations | 36,500 | 39,500 | 31,926 | (7,574) |
| Earnings on Investments | 123,782 | 118,542 | 198,527 | 79,985 |
| Miscellaneous | 15,000 | 15,000 | 49,254 | 34,254 |
| <i>Total Receipts</i> | 7,400,282 | 7,290,298 | 7,461,228 | 170,930 |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 2,543,404 | 2,597,187 | 2,191,536 | 405,651 |
| Collection Development and Processing | 2,036,747 | 2,080,025 | 1,719,084 | 360,941 |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 662,259 | 676,645 | 607,419 | 69,226 |
| Information Services | 236,566 | 241,890 | 240,037 | 1,853 |
| Business Administration | 846,325 | 864,716 | 814,867 | 49,849 |
| Capital Outlay | 1,022,513 | 2,939,432 | 290,796 | 2,648,636 |
| <i>Total Disbursements</i> | 7,347,814 | 9,399,895 | 5,863,739 | 3,536,156 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 52,468 | (2,109,597) | 1,597,489 | 3,707,086 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | | (1,200,000) | (1,200,000) | - |
| <i>Total Other Financing Sources (Uses)</i> | - | (1,200,000) | (1,200,000) | - |
| <i>Net Change in Fund Balance</i> | 52,468 | (3,309,597) | 397,489 | 3,707,086 |
| <i>Unencumbered Fund Balance Beginning of Year</i> | 7,747,327 | 7,747,327 | 7,747,327 | - |
| Prior Year Encumbrances Appropriated | 188,912 | 188,912 | 188,912 | - |
| <i>Unencumbered Fund Balance End of Year</i> | \$7,988,707 | \$4,626,642 | \$8,333,728 | \$3,707,086 |

See accompanying notes to the basic financial statements.

Lane Public Library
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|-------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$2,500,000 | \$2,620,000 | \$2,617,471 | (\$2,529) |
| Intergovernmental | 4,166,948 | 5,131,183 | 4,866,313 | (264,870) |
| Patron Fines and Fees | 230,000 | 250,000 | 209,074 | (40,926) |
| Contributions, Gifts and Donations | 37,000 | 809,250 | 805,617 | (3,633) |
| Earnings on Investments | 33,005 | 125,472 | 124,329 | (1,143) |
| Miscellaneous | 10,000 | 12,000 | 14,199 | 2,199 |
| <i>Total Receipts</i> | 6,976,953 | 8,947,905 | 8,637,003 | (310,902) |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 3,413,917 | 2,004,385 | 1,832,776 | 171,609 |
| Collection Development and Processing | 1,510,551 | 2,460,382 | 1,606,366 | 854,016 |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 725,110 | 658,993 | 598,681 | 60,312 |
| Information Services | 1,010,801 | 212,237 | 207,245 | 4,992 |
| Business Administration | 264,555 | 767,827 | 715,107 | 52,720 |
| Capital Outlay | 128,821 | 6,450,716 | 381,332 | 6,069,384 |
| <i>Total Disbursements</i> | 7,053,755 | 12,554,540 | 5,341,507 | 7,213,033 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (76,802) | (3,606,635) | 3,295,496 | 6,902,131 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | | (2,200,000) | (2,200,000) | - |
| <i>Total Other Financing Sources (Uses)</i> | - | (2,200,000) | (2,200,000) | - |
| <i>Net Change in Fund Balance</i> | (76,802) | (5,806,635) | 1,095,496 | 6,902,131 |
| <i>Unencumbered Fund Balance Beginning of Year</i> | 6,712,962 | 6,712,962 | 6,712,962 | - |
| Prior Year Encumbrances Appropriated | 127,782 | 127,782 | 127,782 | - |
| <i>Unencumbered Fund Balance End of Year</i> | \$6,763,942 | \$1,034,109 | \$7,936,240 | \$6,902,131 |

See accompanying notes to the basic financial statements

Lane Public Library
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Havighurst Fund
For the Year Ended December 31, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|---------------------------|---------------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Contributions, Gifts and Donations | \$0 | \$0 | \$497 | \$497 |
| Earnings on Investments | 100,175 | 100,165 | 102,424 | 2,259 |
| Miscellaneous | | | | 0 |
| <i>Total Receipts</i> | <u>100,175</u> | <u>100,165</u> | <u>102,921</u> | <u>2,756</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Collection Development and Processing | 4,165 | 0 | 0 | 0 |
| Support Services: | | | | |
| Business Administration | 5,000 | 50,000 | 42,700 | 7,300 |
| Capital Outlay | | 500,000 | 0 | 500,000 |
| <i>Total Disbursements</i> | <u>9,165</u> | <u>550,000</u> | <u>42,700</u> | <u>507,300</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>91,010</u> | <u>(449,835)</u> | <u>60,221</u> | <u>510,056</u> |
| <i>Net Change in Fund Balance</i> | 91,010 | (449,835) | 60,221 | 510,056 |
| <i>Unencumbered Fund Balance Beginning of Year</i> | 3,083,330 | 3,083,330 | 3,083,330 | 0 |
| Prior Year Encumbrances Appropriated | <u>3,009</u> | <u>3,009</u> | <u>3,009</u> | <u>0</u> |
| <i>Unencumbered Fund Balance End of Year</i> | <u><u>\$3,177,349</u></u> | <u><u>\$2,636,504</u></u> | <u><u>\$3,146,560</u></u> | <u><u>\$510,056</u></u> |

See accompanying notes to the basic financial statements.

Lane Public Library
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Havighurst Fund
For the Year Ended December 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Contributions, Gifts and Donations | \$0 | \$0 | \$427 | \$427 |
| Earnings on Investments | <u>100,175</u> | <u>100,115</u> | <u>133,134</u> | <u>33,019</u> |
| <i>Total Receipts</i> | <u>100,175</u> | <u>100,115</u> | <u>133,561</u> | <u>33,446</u> |
| Disbursements | | | | |
| Support Services: | | | | |
| Business Administration | | 250,000 | 11,769 | 238,231 |
| Capital Outlay | | <u>2,814,662</u> | <u>0</u> | <u>2,814,662</u> |
| <i>Total Disbursements</i> | <u>0</u> | <u>3,064,662</u> | <u>11,769</u> | <u>3,052,893</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>100,175</u> | <u>(2,964,547)</u> | <u>121,792</u> | <u>3,086,339</u> |
| Transfers Out | <u>(100,000)</u> | | | |
| <i>Total Other Financing Sources (Uses)</i> | <u>(100,000)</u> | | | <u>0</u> |
| <i>Net Change in Fund Balance</i> | 175 | (2,964,547) | 121,792 | 3,086,339 |
| <i>Unencumbered Fund Balance Beginning of Year</i> | 2,964,547 | 2,964,547 | 2,964,547 | 0 |
| Prior Year Encumbrances Appropriated | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Unencumbered Fund Balance End of Year</i> | <u>\$2,964,722</u> | <u>\$0</u> | <u>\$3,086,339</u> | <u>\$3,086,339</u> |

See accompanying notes to the basic financial statements.

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011

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 being the responsibility of the Director and the financial accountability being the responsibility of the Fiscal Officer.

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.

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

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

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

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 Statement which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Library as a whole.

The Statement of Net Position 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
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(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 – Based on an updated legal opinion obtained in June, 2013, the Havighurst Fund was reclassified as a Special Revenue Fund for Fiscal Years 2011 and 2012. The total Fund amount will continue 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, 2012 and 2011
(Continued)

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, 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 Fiscal Officer. 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, 2012 and 2011
(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, USAA and the majority of the Roesel Accounts are reported as investments for 2011 and 2012.

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.

The nonnegotiable certificates of deposit are recorded at cost. The Havighurst, Latta, USAA, and Roesel Accounts are all recorded on a cost basis. All of these investments are gifts with the Latta, Havighurst, and Roesel Accounts being held and invested by National Retirement Consultants, Inc.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

STAR Ohio Plus is a cash management program that provides Ohio political subdivisions with access to hundreds of FDIC insured banks via one convenient account, offering participants full FDIC insurance up to \$15 million per account, a competitive yield, and weekly liquidity. The State Treasurer's office has endorsed this new program as a secure investment option for Public Funds Managers.

Investments in STAR Ohio and STAR Ohio Plus are valued at their respective share price, which is the price the investment could be sold for on December 31, 2012.

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(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 2012 amounted to \$198,527 and for 2011 amounted to \$124,329.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use 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 Other Governmental Funds of \$393,091 and \$325,899 for 2012 and 2011, respectively. In addition, the Havighurst Fund has restricted assets amounts of \$3,146,560 and \$3,086,339 for 2012 and 2011, respectively.

G. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Library applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The Library did not have any net position restricted by enabling legislation.

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.

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

Note 2 – Summary of Significant Accounting Principles (continued)

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.

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

Beginning in 2011, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”. GASB Statement No.63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Library’s 2011 financial statements; however there was no effect on beginning net position/fund balance.

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

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 and Havighurst 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 \$152,555 in 2012 and \$188,912 in 2011 in the General Fund. The encumbrances outstanding at year end (budgetary basis) amounted to \$0 in 2012 and \$3,009 in 2011 in the Havighurst 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

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

Note 5 – Deposits and Investments (continued)

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. In addition, the State Treasurer's office has endorsed a new investment option for 2012, STAR Ohio Plus. This program is managed by an outside Investment Firm and is FDIC insured.

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 specific 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.

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

Note 5 – Deposits and Investments (continued)

At December 31, 2012 and 2011, the Library had \$200 in Petty Cash and \$670 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, 2012 \$319,968 of the Library's bank balance of \$2,852,476 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, 2011, \$6,041,840 of the Library's bank balance of \$7,042,632 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, 2012, 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 | \$176,825 | | \$176,825 | | |
| US Govt. Agency Bonds | 250,539 | | 250,539 | | |
| Certificate of Deposit | 50,000 | 50,000 | | | |
| US Govt. Mutual Fund | 132,538 | 132,538 | | | |
| US Govt. Money Mkt. | 1,598,525 | 1,598,525 | | | |
| USAA Growth Mutual Funds | 124,092 | 124,092 | | | |
| Corporate Mutual Fund | 3,619,273 | 3,619,273 | | | |
| Common Stock | 1,675,532 | 1,675,532 | | | |
| Star Ohio | 349,886 | 349,886 | | | |
| Star Ohio Plus | 5,658,868 | 5,658,868 | | | |
| North Inst. Gov't Select Funds | 435 | 435 | | | |
| Total Investments | \$13,636,513 | \$13,209,149 | \$427,364 | | |

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

Note 5 – Deposits and Investments (continued)

As of December 31, 2011, 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 | \$301,381 | \$124,556 | \$125,215 | \$51,610 | |
| US Govt. Agency Bonds | 396,864 | 0 | 51,776 | 345,088 | |
| Certificate of Deposit | 100,000 | 50,000 | 50,000 | | |
| US Govt. Mutual Fund | 130,058 | 130,058 | | | |
| US Govt. Money Mkt. | 1,151,381 | 1,151,381 | | | |
| USAA Growth Mutual Funds | 123,626 | 123,626 | | | |
| Corporate Mutual Fund | 3,557,421 | 3,557,421 | | | |
| Common Stock | 1,675,673 | 1,675,673 | | | |
| Star Ohio | 349,619 | 349,619 | | | |
| North Inst. Gov't Selected Funds | 861 | 861 | | | |
| Total Investments | <u>\$7,786,884</u> | <u>\$7,163,195</u> | <u>\$226,991</u> | <u>\$396,698</u> | |

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.

STAR Ohio Plus is endorsed by the State Treasurer of Ohio and administered by Public Funds Administrators (PFA). It allows public funds managers to deposit funds into a single, convenient account, which in turn will be deposited through the FICA program into multiple banks so the amounts that a single participant has on deposit in any single bank through STAR Plus will never exceed the FDIC insurance amount as set by the FDIC. STAR Plus is not a mutual fund or pooled account; instead, each Account is separately managed account in which the Participant directly owns the bank deposits made on its behalf.

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 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

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

Note 5 – Deposits and Investments (continued)

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 following table indicates the percentage of each investment compared to the Library’s total portfolio as of December 31, 2012:

| | Carrying Value | Percentage of Portfolio |
|-----------------------|----------------|----------------------------|
| Common Stock | \$1,675,532 | 12.3% |
| STAR OHIO Plus | \$ 5,658,868 | 41.5% |
| US Gov’t Money Market | \$1,598,525 | 11.7% |

The following table indicates the percentage of each investment compared to the Library’s total portfolio as of December 31, 2011

| | Carrying Value | Percentage of Portfolio |
|-----------------------|----------------|----------------------------|
| Common Stock | \$1,675,673 | 26.4% |
| US Govt Agency Bonds | \$ 396,864 | 5.1% |
| US Gov’t Money Market | \$1,151,381 | 14.8% |

Note 6 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

Note 6 - Property Taxes (continued)

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2011, was \$0.75 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

| | |
|----------------------------------|-----------------|
| Real Property | \$3,360,241,950 |
| Public Utility Personal Property | 202,370,610 |

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.

Note 7- Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. During 2011 and 2012, 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

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

Note 7 Risk Management (continued)

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 41.5% (40.0% through October 31, 2011 and 17.5% through October 31, 2010) 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 782 and 761 members as of December 31, 2011 and 2010 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 74 and 65 members as of December 31, 2011 and 2010 respectively. The Library does not participate in this coverage.

Effective January 1, 2009, the property and casualty product line (OPRM) and the health product line (OPHC) were placed in separate legal entities.

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. 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, 2011 and 2010, and include amounts for both OPRM and OPHC:

| | 2011 | | 2010 | |
|-----------------|--------------------|------------------|--------------------|------------------|
| | OPRM | OPHC | OPRM | OPHC |
| Assets | \$12,501,280 | \$1,459,791 | \$12,036,541 | \$1,355,131 |
| Liabilities | (5,328,761) | (1,283,527) | (4,845,056) | (1,055,096) |
| Members' Equity | <u>\$7,172,519</u> | <u>\$176,264</u> | <u>\$7,191,485</u> | <u>\$300,035</u> |

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

Note 7 Risk Management (continued)

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

During part of 2012, the Library contracted with several companies for various types of insurance coverage as follows:

| Company | Type of Coverage | Amount of Coverage |
|-----------------------------|--|-----------------------------|
| Ohio Plan | Commercial Property, Vehicles, Liability, Errors and Omissions | \$5,000,000/ \$7,000,000 |
| Travelers Insurance Company | Surety Bond | \$50,000 |
| Selective Insurance Company | Surety Bond | \$50,000 |

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.

Note 8 – Defined Benefit Pension Plan

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS 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.

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

Note 8 – Defined Benefit Pension Plan (continued)

OPERS 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, 2012, 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 2012, member and employer contribution rates were consistent across all three plans.

The Library's 2012 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 4.0 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$340,445, \$295,713 and \$271,957 respectively; the full amount has been contributed for 2012, 2011, and 2010.

Note 9 – Postemployment Benefits

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.

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

Note 9 – Postemployment Benefits (continued)

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.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, 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 4.0 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012.

Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the numbered of covered dependents and coverage selected.

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

Note 9 – Postemployment Benefits (continued)

The Library’s required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$340,445, \$295,713 and \$271,957 respectively. The full amount has been contributed for 2012, 2011, and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing on January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of employer contributions toward the health care fund after the end of the transition period.

Note 10 – 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, 2012 are presented below:

| Fund Balances | General | Capital Projects | Havighurst Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|---------------------|--------------------|--------------------------------|--------------------------------|
| Restricted for: | | | | | |
| Primarily for books, programs, etc. | | | | \$393,091 | \$393,091 |
| Construction of Oxford Facility | | | <u>3,146,560</u> | | <u>3,146,560</u> |
| Total Restricted | | | <u>3,146,560</u> | <u>393,091</u> | <u>3,539,651</u> |
| Assigned to: | | | | | |
| Encumbrances | 152,555 | | | | 152,555 |
| Capital Projects | | 3,514,849 | | 1,055,850 | 4,570,699 |
| Hamilton Branch (Roesel Fund) | 3,873,670 | | | | 3,873,670 |
| Gifts & Memorials | 225,507 | | | | 225,507 |
| Other Purposes | 165,122 | | | | 165,122 |
| Total Assigned | <u>4,416,854</u> | <u>3,514,849</u> | <u>0</u> | <u>1,055,850</u> | <u>8,987,553</u> |
| Unassigned | <u>3,916,874</u> | | | | <u>3,916,874</u> |
| Total Fund Balances | <u>\$8,333,728</u> | <u>\$3,514,849</u> | <u>\$3,146,560</u> | <u>\$1,448,941</u> | <u>\$16,444,078</u> |

Lane Public Library
Notes to the Basic Financial Statements
For the Years ended December 31, 2012 and 2011
(Continued)

Note 11 – Interfund Transfers

The General Fund transferred \$1,200,000 and \$2,200,000 to the Capital Projects Funds in 2012 and 2011, respectively. These funds will be used to build a new facility for the Oxford Branch of the Lane Public Library.

Note 12 – Material Noncompliance

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Library as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 20, 2013, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles. We also noted the Library adopted the accounting guidance in Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resource*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

August 20, 2013

**LANE PUBLIC LIBRARY
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2012-001

Noncompliance

Ohio Rev. Code Section 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”. Failure to liquidate these investments will cause the Library to be in non-compliance with the Ohio Rev. Code and Ohio Constitution.

The Library has an investment portfolio that contains stock certificates. The investment portfolio that is not permitted under Ohio law is the Havighurst Trust Fund. The Library management indicated that they mistakenly believed that this investment was 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. We discussed this matter with the Library and according to a legal opinion obtained by the Library dated June 28, 2013; the Havighurst Trust Fund is public funds subject to the investment restrictions contained in Chapter 135 since it is not considered endowments as defined in ORC 1715.51(C). The market value of the Havighurst Trust Fund at December 31, 2012 and at December 31, 2011 was \$3,146,560 and \$3,086,339 respectively.

We recommend the Library liquidate these funds and move the funds into investments in accordance with the Ohio Revised Code requirements for public bodies.

Officials’ Response:

In 1994, the Library received the remaining funds in the Havighurst Trust of about \$1.4 million. The Amendment to the Trust Agreement dated August 19, 1975, item #8 stated:

“Upon the death of Walter E. Havighurst the then remaining balance of this Annuity Trust shall be paid over and distributed to the Trustees or other governing body of the Lane Public Library of Hamilton, Butler County, Ohio, as an endowment for the support and improvement including possible enlargement, of the Oxford Branch of the said Lane Public Library, to be its absolutely and in fee simple, for the uses and purposes herein mentioned.”

In 1994, legal opinions were obtained from the Butler County Prosecutor’s Office and an outside law firms on how this gift should be setup by the library. Based on these opinions the library classified the Havighurst gift as a Permanent Fund, only the earnings from investing could be spent, and the library could invest under the Uniform Management of Institutional Funds Act as found in sections 1751.51 through 1751.54, Revised Code. Under this Act, the Library could invest in stocks, bonds, mutual funds, etc. In addition, the Library would use an external Investment Management/Advisory firm to manage this Fund. This opinion was also agreed to by the Ohio Auditor of State at that time.

In 2008, the Auditors requested the Butler County Prosecutor review the 1994 opinion for the Havighurst Trust. The Prosecutor’s Office confirmed the original 1994 opinion. In addition, the Library in 2009, through the Ohio Library Council, received a favorable external legal opinion that we could continue to invest according to the Uniform Management of Institutional Funds Act.

During the 2010 Audit, no request for an updated opinion concerning the Havighurst investments was received and no issues were brought to the library’s attention.

**FINDING NUMBER 2012-001
(Continued)**

During the 2012 Audit, the Auditors again requested an updated legal opinion based on their finding the Havighurst Fund was not being invested according to ORC 135. The Butler County Prosecutor's Office is now telling us the Havighurst Fund should be invested according to ORC 135 and the library has access to the principal as well as the earnings of the fund. It is our understanding recent law changes concerning endowments questioned the current Havighurst Fund set up and investments.

As of July, 2013, the current market value of the Havighurst Fund is about \$4.1 million. This is just under a 300% increase in value from the original amount received of \$1.4 million in 1994. The Library would not have received this return on investment under ORC 135.

As the Auditors have requested, the Havighurst Fund will be liquidated and reinvested according to ORC 135. This will be completed by December 31, 2013.



Dave Yost • 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
SEPTEMBER 5, 2013