



**Auditor of State  
Betty Montgomery**



LANE PUBLIC LIBRARY  
BUTLER COUNTY

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**Auditor of State  
Betty Montgomery**

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

To the Board of Trustees:

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

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

March 16, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Lane Public Library, Butler County, Ohio (the Library), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2004, or its changes in financial position for the year then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Lane Public Library, Butler County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the year ended December 31, 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

March 16, 2006

LANE PUBLIC LIBRARY  
BUTLER COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Library and Local Government Support	\$6,049,156			\$6,049,156
Patron Fines and Fees	210,752			210,752
Earnings on Investments	34,991	\$95,520	\$7,483	137,994
Contributions, Gifts and Donations			43,737	43,737
Miscellaneous Receipts	14,301		391	14,692
<b>Total Cash Receipts</b>	<b>6,309,200</b>	<b>95,520</b>	<b>51,611</b>	<b>6,456,331</b>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	3,820,135			3,820,135
Purchased and Contracted Services	907,094	145,432	5,127	1,057,653
Library Materials and Information	1,481,138		7,707	1,488,845
Supplies	112,250		210	112,460
Other	14,364		60	14,424
Interest Payments and Other Financing Fees and Costs			3,846	3,846
Capital Outlay	160,279	2,092,008	0	2,252,287
<b>Total Cash Disbursements</b>	<b>6,495,260</b>	<b>2,237,440</b>	<b>16,950</b>	<b>8,749,650</b>
Total Cash Receipts Over/(Under) Cash Disbursements	(186,060)	(2,141,920)	34,661	(2,293,319)
Fund Cash Balances, January 1	2,239,368	6,288,353	930,903	9,458,624
<b>Fund Cash Balances, December 31</b>	<b><u>\$2,053,308</u></b>	<b><u>\$4,146,433</u></b>	<b><u>\$965,564</u></b>	<b><u>\$7,165,305</u></b>
Reserves for Encumbrances, December 31	<u>\$272,422</u>	<u>\$1,698,319</u>	<u>\$4,091</u>	<u>\$1,974,832</u>

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

LANE PUBLIC LIBRARY  
BUTLER COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
NON EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

<b>Non-operating Cash Receipts:</b>	
Earning on Investments	<u>\$83,888</u>
Total Non-operating Cash Receipts	<u>83,888</u>
<b>Non-operating Cash Disbursements:</b>	
Capital Outlay	<u>12,531</u>
Total Non-operating Cash Disbursements	<u>12,531</u>
Net Receipts over Disbursements	<u>71,357</u>
Fund Cash Balances, January 1	<u>2,075,111</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$2,146,468</u></u></b>

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

LANE PUBLIC LIBRARY  
BUTLER COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Library and Local Government Support	\$6,514,354			\$6,514,354
Patron Fines and Fees	208,312			208,312
Earnings on Investments	35,155	\$117,446	\$7,339	159,940
Contributions, Gifts and Donations		15,000	4,653	19,653
Miscellaneous Receipts	12,336		399	12,735
<b>Total Cash Receipts</b>	<u>6,770,157</u>	<u>132,446</u>	<u>12,391</u>	<u>6,914,994</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	3,868,794			3,868,794
Purchased and Contracted Services	987,058	182,885	6,620	1,176,563
Library Materials and Information	1,393,704		1,598	1,395,302
Supplies	105,552			105,552
Other	19,589			19,589
Interest Payments and Other Financing Fees and Costs	0		411	411
Capital Outlay	32,310	152,944	700	185,954
<b>Total Cash Disbursements</b>	<u>6,407,007</u>	<u>335,829</u>	<u>9,329</u>	<u>6,752,165</u>
Total Cash Receipts Over/(Under) Cash Disbursements	363,150	(203,383)	3,062	162,829
Fund Cash Balances, January 1	<u>1,876,218</u>	<u>6,491,737</u>	<u>927,841</u>	<u>9,295,796</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$2,239,368</b></u>	<u><b>\$6,288,354</b></u>	<u><b>\$930,903</b></u>	<u><b>\$9,458,625</b></u>
Reserves for Encumbrances, December 31	<u>\$261,198</u>	<u>\$154,171</u>	<u>\$244</u>	<u>\$415,613</u>

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

LANE PUBLIC LIBRARY  
BUTLER COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
NON EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003

<b>Non-operating Cash Receipts:</b>	
Earnings on Investments	<u>\$46,144</u>
Total Non-operating Cash Receipts	<u>46,144</u>
<b>Non-operating Cash Disbursements:</b>	
Current:	
Purchased and Contracted Services	24,880
Capital Outlay	<u>434,102</u>
Total Non-operating Cash Disbursements	<u>458,982</u>
Net Receipts over Disbursements	(412,838)
Fund Cash Balances, January 1	<u>2,487,948</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$2,075,110</u></u></b>

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

**LANE PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

The Library values certificates of deposit, U.S. Government securities and common stock at cost or fair market value when donated. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through trust funds). The Library had the following significant capital project fund:

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

**LANE PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**3. Fiduciary Funds (Trust Funds)**

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

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

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

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

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

**E. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control (Ohio Administrative Code, Section 117-8-01).

A summary of 2004 and 2003 budgetary activity appears in Note 3.

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

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

**G. Accumulated Leave**

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

**LANE PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

The Library maintains a cash and investments pool all funds use. As of December 31, 2004 and 2003, the Library had \$470 in petty cash on hand. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2004	2003
Demand deposits	\$315,748	\$901,036
Certificates of deposit	5,723,615	7,977,884
Total deposits	6,039,363	8,878,920
USAA Growth Mutual Funds (fair value of \$95,569 and \$84,828 at December 31, 2004 and 2003, respectively).	123,000	123,000
STAR Ohio	669,424	131,319
U.S. Government Securities	1,112,072	955,283
Common stock (valued at fair value on the date of donation, fair value was \$2,449,265 and \$2,407,160 at December 31, 2004 and 2003, respectively.)	1,367,444	1,444,743
Total investments	3,271,940	2,654,345
Total deposits and investments	\$9,311,303	\$11,533,265

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,270,477	\$6,767,682	\$1,502,795
Capital Projects	6,201,682	3,935,759	2,265,923
Fiduciary	960,977	33,572	927,405
Total	\$15,433,136	\$10,737,013	\$4,696,123

**LANE PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,176,654	\$6,668,205	\$1,508,449
Capital Projects	6,542,479	490,000	6,052,479
Fiduciary	1,320,649	468,555	852,094
Total	\$16,039,782	\$7,626,760	\$8,413,022

**4. GRANTS-IN-AID RECEIPTS**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

**5. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2004.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Trustees:

We have audited the financial statements of Lane Public Library, Butler County, Ohio (the Library), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 16, 2006, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States'.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated March 16, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

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

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

March 16, 2006



**Auditor of State  
Betty Montgomery**

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**LANE PUBLIC LIBRARY**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 4, 2006**