



Dave Yost • Auditor of State



LEBANON PUBLIC LIBRARY  
WARREN COUNTY

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# Dave Yost • Auditor of State

Lebanon Public Library  
Warren County  
101 S. Broadway  
Lebanon, Ohio 45036

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 an 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 adverse 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 black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

July 24, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Lebanon Public Library  
Warren County  
101 S. Broadway  
Lebanon, Ohio 45036

To the Board of Trustees:

We have audited the accompanying financial statements of the Lebanon Public Library, Warren County, Ohio (the Library), as of and for the years ended December 31, 2011 and 2011. 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2011 and 2010 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, 2011 and 2010 or for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Lebanon Public Library, Warren County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Lebanon Public Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2012, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

July 24, 2012

**LEBANON PUBLIC LIBRARY  
WARREN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$745,748			\$745,748
Public Library	744,080			744,080
Intergovernmental	93,762			93,762
Patron Fines and Fees	34,844			34,844
Contributions, Gifts and Donations	1,594		136	1,730
Earnings on Investments	51,103	3,576	7,452	62,131
Miscellaneous	1,570			1,570
<i>Total Cash Receipts</i>	<u>1,672,701</u>	<u>3,576</u>	<u>7,588</u>	<u>1,683,865</u>
<b>Cash Disbursements</b>				
Current:				
Library Services:	1,104,905	639	1,061	1,106,605
Capital Outlay	36,515			36,515
<i>Total Cash Disbursements</i>	<u>1,141,420</u>	<u>639</u>	<u>1,061</u>	<u>1,143,120</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>531,281</u>	<u>2,937</u>	<u>6,527</u>	<u>540,745</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	3,012			3,012
Other Financing Uses	(15,566)			(15,566)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(12,554)</u>	<u>0</u>	<u>0</u>	<u>(12,554)</u>
<i>Net Change in Fund Cash Balances</i>	518,727	2,937	6,527	528,191
<i>Fund Cash Balances, January 1</i>	<u>1,421,639</u>	<u>128,903</u>	<u>372,917</u>	<u>1,923,459</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	131,840	0	131,840
Committed	0	0	379,444	379,444
Assigned	3,970	0	0	3,970
Unassigned (Deficit)	1,936,396	0	0	1,936,396
<i>Fund Cash Balances, December 31</i>	<u>\$1,940,366</u>	<u>\$131,840</u>	<u>\$379,444</u>	<u>\$2,451,650</u>

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

**LEBANON PUBLIC LIBRARY  
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$697,948	\$0	\$0	\$697,948
Library and Local Government Support	651,310			651,310
Intergovernmental	93,283			93,283
Patron Fines and Fees	35,754			35,754
Contributions, Gifts and Donations	2,019	20,970	21,063	44,052
Earnings on Investments	14,309	40,929	956	56,194
Miscellaneous	6	0		6
	<u>1,494,629</u>	<u>61,899</u>	<u>22,019</u>	<u>1,578,547</u>
<b>Cash Disbursements:</b>				
Current:				
Library Services	1,039,217	5,377	340	1,044,934
Capital Outlay	99,598	39,727	22,023	161,348
	<u>1,138,815</u>	<u>45,104</u>	<u>22,363</u>	<u>1,206,282</u>
Total Cash Disbursements	<u>1,138,815</u>	<u>45,104</u>	<u>22,363</u>	<u>1,206,282</u>
Total Receipts Over/(Under) Disbursements	<u>355,814</u>	<u>16,795</u>	<u>(344)</u>	<u>372,265</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Fixed Assets	3,738			3,738
Advances-In	9,553	9,553		19,106
Advances-Out	(9,553)	(9,553)		(19,106)
Other Financing Uses		(1,717)		(1,717)
	<u>3,738</u>	<u>(1,717)</u>	<u>0</u>	<u>2,021</u>
Total Other Financing Receipts / (Disbursements)	<u>3,738</u>	<u>(1,717)</u>	<u>0</u>	<u>2,021</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	359,552	15,078	(344)	374,286
Restated Fund Cash Balances, January 1	<u>419,921</u>	<u>755,991</u>	<u>373,261</u>	<u>1,549,173</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$779,473</u></b>	<b><u>\$771,069</u></b>	<b><u>\$372,917</u></b>	<b><u>\$1,923,459</u></b>
Reserve for Encumbrances, December 31	<u>\$1,246</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,246</u>

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

**LEBANON PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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 Lebanon Public Library, Warren County, Ohio (the Library), as a body corporate and politic. The Library has its own Board of Trustees of six members who are appointed by the Council of the City of Lebanon. Appointments are for four-year terms. The Library provides the community with various educational and literary resources.

The Library is fiscally independent of the City of Lebanon, although the Council of the City of Lebanon 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 Council of the City of Lebanon must put the levy on the ballot. A levy was passed in 2009 and the Library began receiving collections in 2010. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the City of Lebanon.

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 City of Lebanon.

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 for 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 amount to the Library. The Library has no component units.

The Friends of the Lebanon Public Library, Inc. was a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Lebanon Public Library donates discarded/unused books to the Friends group on an annual basis. The proceeds of the annual book sale are the property of the Friends group. The assets of the group are for the purpose of assistance to the Library on an as needed basis (such as special projects or campaigning for a levy). The group donated funding for the park project in fiscal year 2010. In 2011 the remaining cash balance was paid to the Library. The assets of the group do not meet the 5% test for being included as a reporting entity. Therefore, this organization has been excluded from the reporting entity of the Library.

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

**LEBANON PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting 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.

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

**C. Deposits and Investments**

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

The Library records U.S. Treasury Notes at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Funds:

Brafman Trust Fund – This fund is restricted for the improvement of real estate for library purposes or for the purchase of chattel property, including books and supplies, but not for operating expenses.

**3. Capital Project Funds**

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

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

**LEBANON PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund, function, and object level of control..

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011 fund balance is divided into five classifications based primarily on the extent to which the Library must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *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.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

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

**LEBANON PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

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.

**G. 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.

**H. 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.

**2. Change in Accounting Principle and Restatement of Net Assets/Fund Equity**

For fiscal year 2011, the Library reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on December 31, 2010 fund balances:

	<b>Fund Balance at December 31, 2010</b>	<b>GASB 54 Change in Fund Structure</b>	<b>Adjusted Fund Balance at December 31, 2010</b>
<b>General</b>	\$779,473	\$642,166	\$1,421,639
<b>Special Revenue</b>	771,069	(642,166)	128,903

**3. Equity in Pooled Deposits and Investments**

The Library maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2011	2010
Demand deposits	\$35,000	\$25,000
Cash on hand	250	250
Total deposits	<u>35,250</u>	<u>25,250</u>
U.S. Treasury and Government Agency Notes	1,789,505	1,423,923
STAR Ohio	131,799	131,724
Repurchase agreement	424,635	288,456
Money Market Fund	70,462	54,106
Total investments	<u>2,416,401</u>	<u>1,898,209</u>
Total deposits and investments	<u>\$2,451,651</u>	<u>\$1,923,459</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**LEBANON PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Equity in Pooled Deposits and Investments (Continued)**

**Investments:** The Lebanon Citizens National Bank's trust department holds the Library's U.S. Treasury Notes in book-entry form. 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.

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,477,393	\$1,675,713	\$198,320
Special Revenue	56,828	3,576	(53,252)
Capital Projects	1,500	7,588	6,088
Total	\$1,535,721	\$1,686,877	\$151,156

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,196,894	\$1,156,986	\$1,039,908
Special Revenue	0	639	(639)
Capital Projects	374,417	1,061	373,356
Total	\$2,571,311	\$1,158,686	\$1,412,625

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,550,401	\$1,498,367	(\$52,034)
Special Revenue	45,901	61,899	15,998
Capital Projects	301	22,019	21,718
Total	\$1,596,603	\$1,582,285	(\$14,318)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,940,878	\$1,140,061	\$800,817
Special Revenue	757,048	46,821	710,227
Capital Projects	366,635	22,363	344,272
Total	\$3,064,561	\$1,209,245	\$1,855,316

**LEBANON PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Grants-in-aid and Tax Receipts**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. The County Budget Commission bases the amount for distribution on the needs of such library for the construction of new library buildings, parts of buildings, improvements, operation, maintenance, or other expenses. The County Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**6. Retirement Systems**

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has elected to pay for the member 10% contribution as a fringe benefit. The Library has paid all contributions required through December 31, 2011.

**7. Risk Management**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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

LEBANON PUBLIC LIBRARY  
WARREN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**8. Prior Period Adjustment**

The Library restated the beginning 2010 special revenue fund balance. The \$5,233 fund balance increase was due to a check that was issued in 2009 and voided in 2010.

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# Dave Yost • Auditor of State

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

Lebanon Public Library  
Warren County  
101 S. Broadway  
Lebanon, Ohio 45036

To the Board of Trustees:

We have audited the financial statements of the Lebanon Public Library, Warren County, Ohio (the Library), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 24, 2012 wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-02 described in the accompanying schedule of findings to be material weaknesses.

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. We consider finding 2011-01 described in the accompanying schedule of findings to be a significant deficiency.

### **Compliance and Other Matters**

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

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

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

**Dave Yost**  
Auditor of State

July 24, 2012

**LEBANON PUBLIC LIBRARY  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Significant Deficiency**

The management of the Library is responsible for the design and implementation of an internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations, and contracts. Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

We noted the following condition:

When investments were purchased by the Library, the accrued interest was paid through the date of the sale. The Library was carrying the accrued interest that was paid as a reconciling item until they receive the first interest payment. The Library then reduced the first interest payment after the purchase by the amount of the accrued interest that was paid. This allowed the Library to show only the interest that was earned by the library on the investment. In April of 2010 the Library purchased an FHLB security (noted as FHLB6 in the investment record) that had accrued interest of \$1,902 using funds from Other Trust Fund (Special Revenue Fund). In July 2010, the Library received an interest payment of \$3,320. The amount of the interest received was not reduced by the accrued interest amount. Additionally, when the investment was called in July of 2011 the Library posted a loss of \$5,149 to the system as warrant number 10026 and closed the investment in the UAN system. This caused the Library to carry a reconciling item that overstated fund balances in fiscal years 2010 and 2011, and overstated the interest income by \$1,902 during 2010. The Library posted an audit adjustment to the financial statements to reduce the 2010 earnings on investments and fund balance. The Library also posted this adjustment to their accounting records. We recommend that the Library check the outstanding items each month to ensure that they are cleared as soon as possible. This will help the Library to ensure that fund balances are reported accurately on the financial statements.

The following table reflects the fund balance adjustment, which has been made to the accompanying financial statements:

Fund	Net Fund Balance Adjustment
Other Trust Fund	\$1,902

**FINDING NUMBER 2011-02**

**Material Weakness**

The Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

**FINDING NUMBER 2011-02  
 (Continued)**

Nonspendable Fund Balance- The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) 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, for example, inventories and prepaid amounts. (GASB 54 ¶6)

Restricted Fund Balance- The restricted classification is used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions (City Charter) or enabling legislation. (GASB 54 ¶8)

Committed Fund Balance- The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. (GASB 54 ¶10)

Assigned Fund Balance- Assigned fund balance includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed (GASB 54 ¶13).

Unassigned Fund Balance- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund (GASB 54 ¶17).

The Library received money for trusts that was reported in the Special Revenue Funds and was reported as restricted. Only one trust, the Brafman Trust, had externally imposed restrictions on the use of the funds. The remaining money had no restrictions imposed by the trusts. Under the GASB 54 guidelines, the Library should have reported the money with no restrictions as unassigned in the General Fund. This resulted in the following adjustment to the 2011 Financial Statements:

	<b>Fund Balance at December 31, 2011</b>	<b>GASB 54 Change in Fund Structure</b>	<b>Adjusted Fund Balance at December 31, 2011</b>
<b>General</b>	\$1,267,907	\$672,459	\$1,940,366
<b>Special Revenue</b>	\$804,299	(\$672,459)	\$131,840

We recommend that the Library review the GASB 54 statement and classify fund balances in accordance with the GASB 54 statement when preparing the financial statements. Auditor of State Bulletin 2011-004 clarifies the impact of GASB 54 on Ohio governmental units and provides guidance on implementation. The accompanying financial statements have been adjusted to reflect this change.



# Dave Yost • Auditor of State

LEBANON PUBLIC LIBRARY

WARREN 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  
AUGUST 21, 2012