



Dave Yost • Auditor of State



LEBANON PUBLIC LIBRARY  
WARREN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Lebanon Public Library, Warren County, (the Government) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 Government'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 Government'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 opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Government prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242  
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

[www.ohioauditor.gov](http://www.ohioauditor.gov)

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Government as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Lebanon Public Library, Warren County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2014, on our consideration of the Government'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 Government's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 31, 2014

**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, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$722,888			\$722,888
Public Library	715,279			715,279
Intergovernmental	92,898			92,898
Patron Fines and Fees	24,003			24,003
Contributions, Gifts and Donations	2,642			2,642
Earnings on Investments	55,907		\$2,025	57,932
Miscellaneous	5,729			5,729
<i>Total Cash Receipts</i>	<u>1,619,346</u>	<u>\$0</u>	<u>2,025</u>	<u>1,621,371</u>
<b>Cash Disbursements</b>				
Current:				
Library Services:	1,349,925		850	1,350,775
Capital Outlay	932			932
<i>Total Cash Disbursements</i>	<u>1,350,857</u>	<u>0</u>	<u>850</u>	<u>1,351,707</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>268,489</u>	<u>0</u>	<u>1,175</u>	<u>269,664</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	6,549			6,549
Transfers In			75,123	75,123
Transfers Out	(75,123)			(75,123)
Other Financing Uses	(12,830)		(2,025)	(14,855)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(81,404)</u>	<u>0</u>	<u>73,098</u>	<u>(8,306)</u>
<i>Net Change in Fund Cash Balances</i>	187,085	0	74,273	261,358
<i>Fund Cash Balances, January 1</i>	<u>2,011,860</u>	<u>132,373</u>	<u>584,224</u>	<u>2,728,457</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	0	0
Restricted	0	132,373	0	132,373
Committed	0	0	658,497	658,497
Assigned	0	0	0	0
Unassigned (Deficit)	2,198,945	0	0	2,198,945
<i>Fund Cash Balances, December 31</i>	<u>\$2,198,945</u>	<u>\$132,373</u>	<u>\$658,497</u>	<u>\$2,989,815</u>

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

**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, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$742,633			\$742,633
Public Library	712,590			712,590
Intergovernmental	95,342			95,342
Patron Fines and Fees	29,741			29,741
Contributions, Gifts and Donations	5,907			5,907
Earnings on Investments	60,426	\$746	\$3,049	64,221
Miscellaneous	1,920			1,920
<i>Total Cash Receipts</i>	<u>1,648,559</u>	<u>746</u>	<u>3,049</u>	<u>1,652,354</u>
<b>Cash Disbursements</b>				
Current:				
Library Services:	1,289,084	213	1,269	1,290,566
Capital Outlay	61,363			61,363
<i>Total Cash Disbursements</i>	<u>1,350,447</u>	<u>213</u>	<u>1,269</u>	<u>1,351,929</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>298,112</u>	<u>533</u>	<u>1,780</u>	<u>300,425</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	2,908			2,908
Transfers In			200,000	200,000
Transfers Out	(200,000)			(200,000)
Advances In	213	213		426
Advances Out	(213)	(213)		(426)
Other Financing Uses	(29,526)			(29,526)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(226,618)</u>	<u>0</u>	<u>200,000</u>	<u>(26,618)</u>
<i>Net Change in Fund Cash Balances</i>	71,494	533	201,780	273,807
<i>Fund Cash Balances, January 1</i>	<u>1,940,366</u>	<u>131,840</u>	<u>379,444</u>	<u>2,451,650</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	0	0
Restricted	0	132,373	0	132,373
Committed	0	0	581,224	581,224
Assigned	0	0	0	0
Unassigned (Deficit)	2,011,860	0	0	2,011,860
<i>Fund Cash Balances, December 31</i>	<u>\$2,011,860</u>	<u>\$132,373</u>	<u>\$581,224</u>	<u>\$2,725,457</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, 2013 AND 2012**

**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. 61 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 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, 2013 AND 2012  
(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 reports U.S. Treasury Notes at amortized 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 accounts for and reports all financial resources not accounted for and reported 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, 2013 AND 2012  
(Continued)**

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

**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.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

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, 2013 AND 2012  
(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. 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:

	2013	2012
Demand deposits	\$35,000	\$35,000
Cash on hand	250	250
Total deposits	35,250	35,250
U.S. Treasury Notes	1,494,533	1,454,230
STAR Ohio	131,951	131,900
Repurchase agreement	734,390	493,218
Money Market Fund	590,691	610,859
Total investments	2,951,565	2,690,207
Total deposits and investments	\$2,986,815	\$2,725,457

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

**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.

**LEBANON PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,572,546	\$1,599,735	\$27,189
Special Revenue	52,323	26,160	(26,163)
Capital Projects	1,591	77,148	75,557
Total	\$1,626,460	\$1,703,043	\$76,584

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,830,167	\$1,419,400	\$1,410,767
Special Revenue	878,801	8,699	870,102
Capital Projects	582,600	850	581,750
Total	\$4,291,568	\$1,428,949	\$2,862,619

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,607,720	\$1,623,413	\$15,693
Special Revenue	58,533	28,799	(29,734)
Capital Projects	1,545	203,049	201,504
Total	\$1,667,798	\$1,855,261	\$187,463

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,542,000	\$1,116,514	\$1,425,486
Special Revenue	825,000	4,619	820,381
Capital Projects	375,000	1,269	373,731
Total	\$3,742,000	\$1,122,402	\$2,619,598

Budgetary revenues and expenditures were presented in the manner they were budgeted. This varies from the financial statements because certain funds are reported in the General Fund in the financial statement, but are budgeted as special revenue funds.

**LEBANON PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. 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 of 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.

**5. 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 2013 and 2012, OPERS members contributed 10%, of their gross salaries and the Library contributed an amount equaling 14%, of participants' gross salaries. The Library has paid all contributions required through December 31, 2013.

**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.



# 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*

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

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 Lebanon Public Library, Warren County, (the Government) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated July 31, 2014 wherein we noted the Government followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-002 described in the accompanying schedule of findings to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Government'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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 Government's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

July 31, 2014

**LEBANON PUBLIC LIBRARY  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2013-001**

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.

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 did not have controls in place to ensure the accounting system mapped the funds in accordance with GASB 54. 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 2012 and 2013 Financial Statements:

<b>Fund Type</b>	<b>Balance Prior to GASB 34 at December 31</b>	<b>GASB 54 Adjustment</b>	<b>Adjusted Fund Balance at December 31</b>
<b>General FY2012</b>	\$ 1,315,754	\$ 696,106	\$ 2,011,860
<b>Special Revenue FY2012</b>	\$ 828,479	\$ (696,106)	\$ 132,373
<b>General FY2013</b>	\$ 1,459,451	\$ 739,494	\$ 2,198,945
<b>Special Revenue FY2013</b>	\$ 871,867	\$ (739,494)	\$ 132,373

**FINDING NUMBER 2013-001  
(Continued)**

The Library should 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.

**FINDING NUMBER 2013-002**

**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.

The Library did not record in the financial records the interest when the costs of amortized premiums were recorded. When investments were purchased at a premium by the Library, the Library recorded the expenditure to amortize the premium when interest was received, but did not record the revenue. The Library's investment revenue and fund balance was understated because the interest revenue had not been recognized. The financial statements were adjusted to show interest totaling \$25,925 in 2012 and \$16,912 in 2013. The Library posted this adjustment to their accounting records.

The Library should reconcile the carrying value of investments to the bank statement. The reconciliation should indicate the carrying value, bank value and variances such as amortized premiums. Completing an investment reconciliation will help the Library to ensure that fund balances are reported accurately on the financial statements.

**We did not receive a response from officials to the findings reported above.**

**LEBANON PUBLIC LIBRARY  
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Interest not posted properly.	No	Reissued as 2013-002
2011-02	Statements not prepared in accordance with GASB 54	No	Reissued as 2013-001

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# 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  
SEPTEMBER 02, 2014**