



**Auditor of State
Betty Montgomery**

**LEBANON PUBLIC LIBRARY
WARREN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Lebanon Public Library
Warren County
101 South Broadway
Lebanon, Ohio 45036

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lebanon Public Library, Warren County, Ohio (the Library), as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 Government 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lebanon Public Library, Warren County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Will Trust and Other Trust Funds and thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 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

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

September 19, 2006

Lebanon Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Lebanon Public Library's financial performance provides an overall review of the library's financial activities for the year ended December 31, 2005, within the limitations of the library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the library's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$ 17,506, or 0.72 percent, from the prior year. The fund most affected by the increase in cash and cash equivalents was the Will Trust Fund.

The library's general fund receipts are primarily the local government distribution. These receipts represent 92.24 percent of the total cash received for governmental activities during the year. Local Government receipts for 2005 changed some what compared to 2004 due to a decrease imposed at the state level. The decrease amounted to approximately \$20,000 which, if continued over a number of years, would be quite significant.

Major repairs to the building roof were required in 2005 at a cost of \$43,307.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The library has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Lebanon Public Library
Management's Discussion and Analysis
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As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the library did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the library's general receipts.

These statements report the library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the library's financial health. Over time, increases or decreases in the library's cash position is one indicator of whether the library's financial health is improving or deteriorating. When evaluating the library's financial condition, you should also consider other nonfinancial factors as well as the condition of the library's capital assets, and the need for continued growth in the major local revenue sources such local government funds.

All activities in the statement of net assets and the statement of activities are governmental activities. All of the library's basic services are reported here. State revenues, through the Library and & Local Government Support Fund, patron fines and fees, contributions and interest finance most of these activities. Benefits provided through library activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the library's major funds – not the library as a whole. The library establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides.

Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund, Will Trust Other Trust and Capital Project Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Lebanon Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Library as a Whole

Table 1 provides a summary of the library's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	378,668	2,427,387
Investments	2,066,224	
Total Assets	\$2,444,892	\$2,427,387
Net Assets		
Restricted for:		
Capital Projects	373,310	373,101
Unrestricted	2,071,582	2,054,286
Total Net Assets	\$2,444,892	\$2,427,387

As mentioned previously, net assets of governmental activities increased \$ 17,506 or 0.72 percent during 2005. The primary reasons contributing to the increases in cash balances are a combined effort to control expenses and waste and interest income mainly in the trust accounts.

Table 2 reflects the changes in net assets in 2005. Since the library did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Lebanon Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
	2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$23,576
Total Program Receipts	23,576
General Receipts:	
Grants and Entitlements Not Restricted to Specific Programs	868,775
Interest	85,501
Miscellaneous	2,726
Total General Receipts	957,002
Total Receipts	980,578
Disbursements:	
General Government	919,765
Capital Outlay	43,307
Total Disbursements	963,072
Increase in Net Assets	17,506
Net Assets, January 1, 2005	2,427,386
Net Assets, December 31, 2005	\$2,444,892

Program receipts represent only 2.4 percent of total receipts and are primarily comprised of fines and fees charged to the general public.

General receipts represent 99.60 percent of the library's total receipts, and of this amount, over 8.90 percent is interest. State and federal grants and entitlements (local government funds) make up the balance of the library's general receipts (90.78 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the library and the support services provided for the other library activities. These include the cost of book purchases, up keep of the building and grounds, operating supplies, insurance, utilities and computer and library control services, as well as internal services such as payroll and payroll related expenses. Since these internal service costs do not represent direct services to patrons, we try to limit these costs to 55% of General Fund unrestricted anticipated receipts for the current year.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for payroll, including payroll related expenses, and book purchases, which account for 54 and 32 percent of all governmental disbursements, respectively. The next column of the Statement entitled Program Receipts identifies amounts paid by people who are directly charged for the service. The net Receipt (Disbursement) column compares the program receipts

Lebanon Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided mainly by local government distribution. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
Library Services	\$919,765	\$896,189
Capital Outlay	43,307	43,307
Total Expenses	<u>\$963,072</u>	<u>\$939,496</u>

The dependence upon local government funds and interest receipts is apparent as over 97 percent of governmental activities are supported through these general receipts.

Business-type Activities

The library has no business-type activities.

The Library's Funds

Total library funds had receipts of \$980,578 and disbursements of \$963,072. The greatest change within governmental funds occurred within the General Fund and Will Trust Fund. The fund balance of the General Fund decreased \$20,745 as a result of increased costs for salaries and benefits and not achieving anticipated growth in local government funds. The Will Trust Fund increased due to investment earnings and no spending.

General Fund receipts were less than disbursements by \$21,195 indicating that the General Fund is in a deficit spending situation. The deficit will not eliminate the need for additional funds (or additional cuts) in the future if the growth in local government funds remains stagnant.

General Fund Budgeting Highlights

The library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the library did not amend its General Fund budget.

Final general fund disbursements were budgeted at \$ 2,243,510 while actual disbursements were \$ 963,072. Although receipts failed to live up to expectations, appropriations were not reduced. The library kept spending under the budgeted amounts. The result is a decrease in the general fund balance of \$ 20,745 for 2005.

Lebanon Public Library
Management's Discussion and Analysis
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Unaudited

Current Issues

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local government funds and have very little other income. The state legislature controls the disbursement of the local government funds. The state library associations are lobbying to restore the funding to the agreed distribution. In the mean time we are monitoring all spending closely .

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the library's finances and to reflect the library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lois Freeze Stovall, Clerk-Treasurer, Lebanon Public Library, 101 South Broadway, Lebanon, Ohio 45036.

LEBANON PUBLIC LIBRARY, WARREN COUNTY

Statement of Net Assets - Modified Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$378,668
Investments	\$2,066,224
<i>Total Assets</i>	<u><u>\$2,444,892</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$373,310
Unrestricted	2,071,582
<i>Total Net Assets</i>	<u><u>\$2,444,892</u></u>

See accompanying notes to the basic financial statements

LEBANON PUBLIC LIBRARY, WARREN COUNTY

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2005

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Governmental Activities</u>
Governmental Activities			
Library Services	\$919,765	\$23,576	(\$896,189)
Capital Outlay	<u>43,307</u>	<u>0</u>	<u>(43,307)</u>
<i>Total Governmental Activities</i>	<u><u>963,072</u></u>	<u><u>23,576</u></u>	<u><u>(939,496)</u></u>

General Receipts

Unrestricted Gifts and Contributions	2,642
Grants and Entitlements not Restricted to Specific Programs	868,775
Earnings on Investments	85,501
Miscellaneous	<u>84</u>
<i>Total General Receipts</i>	957,002
Change in Net Assets	17,506
<i>Net Assets Beginning of Year</i>	<u>2,427,386</u>
<i>Net Assets End of Year</i>	<u><u>\$2,444,892</u></u>

See accompanying notes to the basic financial statements

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LEBANON PUBLIC LIBRARY, WARREN COUNTY

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2005

	<u>GENERAL FUND</u>	<u>WILL TRUST</u>	<u>OTHER TRUST</u>	<u>CAPITAL PROJECT FUND</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$169,184	\$39,796	\$134,989	\$15,609
Investments	1,083,893	373,867	250,763	357,701
<i>Total Assets</i>	<u>\$1,253,077</u>	<u>\$413,663</u>	<u>\$385,752</u>	<u>\$373,310</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$17,625	\$0	\$0	\$0
Unreserved:				
Undesignated, Reported in:				
General Fund	1,235,452	0	0	0
Special Revenue Funds	0	413,663	385,752	0
Capital Projects Funds	0	0	0	373,310
<i>Total Fund Balances</i>	<u>\$1,253,077</u>	<u>\$413,663</u>	<u>\$385,752</u>	<u>\$373,310</u>

See accompanying notes to the basic financial statements

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$19,090	\$378,668
0	2,066,224
<u>\$19,090</u>	<u>\$2,444,892</u>
\$0	\$17,625
0	1,235,452
19,090	818,504
0	373,310
<u>\$19,090</u>	<u>\$2,444,892</u>

LEBANON PUBLIC LIBRARY, WARREN COUNTY

Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2005

	GENERAL FUND	WILL TRUST	OTHER TRUST
Receipts			
Library and Local Government Support	\$868,775	\$0	\$0
Patron, Fines and Fees	23,576	0	0
Contributions, Gifts and Donations	2,642	0	0
Earnings on Investments	46,800	28,796	9,497
Miscellaneous	84	0	0
Total Receipts	<u>941,877</u>	<u>28,796</u>	<u>9,497</u>
Disbursements			
Current:			
Library Services	919,765	0	0
Capital Outlay	43,307	0	0
Total Disbursements	<u>963,072</u>	<u>0</u>	<u>0</u>
Excess of Receipts Over (Under) Disbursements	<u>(21,195)</u>	<u>28,796</u>	<u>9,497</u>
Other Financing Sources (Uses)			
Advances In	450	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	<u>450</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(20,745)	28,796	9,497
Fund Balances Beginning of Year	<u>1,273,822</u>	<u>384,867</u>	<u>376,255</u>
Fund Balances End of Year	<u><u>\$1,253,077</u></u>	<u><u>\$413,663</u></u>	<u><u>\$385,752</u></u>

See accompanying notes to the basic financial statements

CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
\$0	\$0	\$868,775
0	0	23,576
0	0	2,642
209	199	85,501
0	0	84
209	199	980,578
0	0	919,765
0	0	43,307
0	0	963,072
209	199	17,506
0	0	450
0	(450)	(450)
0	(450)	0
209	(251)	17,506
373,101	19,341	2,427,386
<u>\$373,310</u>	<u>\$19,090</u>	<u>\$2,444,892</u>

LEBANON PUBLIC LIBRARY, WARREN COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2005

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Library and Local Government Support	905,239	905,239	868,775	(36,464)
Patron, Fines and Fees	23,800	23,800	23,576	(224)
Contributions, Gifts and Donations	3,000	3,000	2,642	(358)
Earnings on Investments	26,000	26,000	46,800	20,800
Miscellaneous	10,750	10,750	84	(10,666)
<i>Total receipts</i>	<u>968,789</u>	<u>968,789</u>	<u>941,877</u>	<u>(26,912)</u>
Disbursements				
Current:				
Library Services	1,580,423	1,580,423	937,390	643,033
Capital Outlay	535,000	535,000	43,307	491,693
<i>Total Disbursements</i>	<u>2,115,423</u>	<u>2,115,423</u>	<u>980,697</u>	<u>1,134,726</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,146,634)</u>	<u>(1,146,634)</u>	<u>(38,820)</u>	<u>1,107,814</u>
Other Financing Sources (Uses)				
Transfers Out	(50,000)	(50,000)	0	50,000
Advances In	450	450	450	0
Advances Out	(5,000)	(5,000)	0	5,000
Other Financing Uses	(73,087)	(73,087)	0	73,087
<i>Total Other Financing Sources (Uses)</i>	<u>(127,637)</u>	<u>(127,637)</u>	<u>450</u>	<u>128,087</u>
<i>Net Change in Fund Balance</i>	<u>(1,274,271)</u>	<u>(1,274,271)</u>	<u>(38,370)</u>	<u>1,235,901</u>
<i>Fund Balance Beginning of Year</i>	<u>1,271,899</u>	<u>1,271,899</u>	<u>1,271,899</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>1,923</u>	<u>1,923</u>	<u>1,923</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$449)</u>	<u>(\$449)</u>	<u>\$1,235,452</u>	<u>\$1,235,901</u>

See accompanying notes to the basic financial statements

LEBANON PUBLIC LIBRARY, WARREN COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Will Trust

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Earnings on Investments	30,766	30,766	28,796	(1,970)
<i>Total receipts</i>	<u>30,766</u>	<u>30,766</u>	<u>28,796</u>	<u>(1,970)</u>
Disbursements				
Current:				
Library Services	112,000	112,000	0	112,000
Capital Outlay	303,633	303,633	0	303,633
<i>Total Disbursements</i>	<u>415,633</u>	<u>415,633</u>	<u>0</u>	<u>415,633</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(384,867)</u>	<u>(384,867)</u>	<u>28,796</u>	<u>413,663</u>
<i>Fund Balance Beginning of Year</i>	384,867	384,867	384,867	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$0)</u>	<u>(\$0)</u>	<u>\$413,663</u>	<u>\$413,663</u>

See accompanying notes to the basic financial statements

LEBANON PUBLIC LIBRARY, WARREN COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Other Trust

For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Earnings on Investments	6,896	6,896	9,497	2,601
<i>Total receipts</i>	<u>6,896</u>	<u>6,896</u>	<u>9,497</u>	<u>2,601</u>
Disbursements				
Current:				
Library Services	50,000	50,000	0	50,000
Capital Outlay	333,151	333,151	0	333,151
<i>Total Disbursements</i>	<u>383,151</u>	<u>383,151</u>	<u>0</u>	<u>383,151</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(376,255)</u>	<u>(376,255)</u>	<u>9,497</u>	<u>385,752</u>
<i>Fund Balance Beginning of Year</i>	376,255	376,255	376,255	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$0)</u></u>	<u><u>(\$0)</u></u>	<u><u>\$385,752</u></u>	<u><u>\$385,752</u></u>

See accompanying notes to the basic financial statements

Lebanon Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 1 – Description of the Library and Reporting Entity

The Lebanon Public Library was organized as a municipal public library in 1904 under the laws of the State of Ohio. 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 and members serve with compensation of \$1.00 per year. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

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. 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. is 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 has been inactive for many years but could be reactivated at any time. 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.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Lebanon Public Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial

Lebanon Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government funds. Governmental activities generally are financed through intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are all classified as governmental.

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

Lebanon Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio. The General Fund Account # is 1000.

Capital Project Fund - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements. These are referred to as Building Fund and Permanent Improvement Fund with Account #'s of 4001 and 4002. At the present time Fund 4001 is inactive.

Will Trust Fund – This fund is named after the benefactor. The Lebanon Citizens National Bank is the administrator of the estate. An annual dividend is received for the Library's share of the distribution.

Other Trust Fund – This fund is set aside for various other bequeaths as received.

The other governmental fund of the Library accounts for other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Library's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

Lebanon Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. The Library had no investments with an original maturity of three months or less.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, investments were limited to STAR Ohio and nonnegotiable certificates of deposit. Except for STAROhio these investments are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2005 amounted to \$ 45,985. This does not include checking account interest of \$ 815 for 2005.

F. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Lebanon Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Account Policies (continued)

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's modified cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for permanent improvements.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

The Capital Project Fund balance at year 2005 end is \$ 373,310.

L. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, Will trust fund and Other Trust fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis is outstanding year end encumbrances treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$ 17,625 for the general fund.

Lebanon Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 5 – Deposits and Investments

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Authorized investments may also include investments in commercial paper and bankers acceptances with appropriate limitations as the ORC training requirements have been met.

Lebanon Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 5 – Deposits and Investments (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Library had \$ 250 in undeposited cash on hand (petty cash) which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$219,343 of the Library’s bank balance of \$395,702 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Library’s name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	2,066,224	None
Total Investments	<u>\$ 2,066,224</u>	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library’s investment policy addresses interest rate risk by requiring that the Library’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor’s. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Lebanon Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 5 – Deposits and Investments (continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.” The Library’s only investment was in STAROhio.

Note 6 – Grants in Aid – Library and Local Government Support

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 any additional revenues the Library receives

Note 7 - Capital Assets

The Library chooses not to report and depreciate capital assets resulting from cash transactions in the financial statements and elects not to report capital asset activity in the notes to the financial statements

Note 8 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Westfield Group Bldg.#1	Commercial Property	\$2,450,000*
	General Liability	1,000,000*
Westfield Group Bldg. #2	Commercial Property	196,500*
	General Liability	2,000,000*
Westfield Group Bldg. #3	Commercial Property	210,500*
	General Liability	2,000,000*
Included with General Liability	Commercial Crime	
	Inland Marine	
Westfield Group	Umbrella	5,000,000
Westfield Group	Vehicle Liability	1,000,000
Cincinnati Insurance Company	Directors & Officers	1,000,000
Ohio Farmers	Library Officials	22,000
	Bonds	

*Indicates Base Coverage, additional coverage is also provided (i.e. contents, medical coverage, etc.).

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

Lebanon Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 8 - Risk Management (Continued)

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history, administrative costs and a group rating administered through OhioNet and The Frank Gates Service Company. The Management Care Organization (MCO) and The Frank Gates Service Company manages the claim and all medical treatment until all issues are resolved. The State Workers' Compensation System pays all claims.

Note 9 - Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Library utilizes the Fringe Benefit Method by picking up 100% of the employee payroll contribution for the following classes of employees: board appointed officials, full time, permanent part-time and service employees. Other employees (pages, temporary assistants, etc.) contribute the standard withholding deduction.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 including fringe benefits and employers' share were \$ 80,117, \$ 76,696, and \$ 73,216 respectively; the full amount has been contributed for 2005, 2004, and 2003. The library has no employees enrolled in the member-directed plan at this time

Lebanon Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 10 - Post Employment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$147,863. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 11 – Joint Ventures

The Library participates with the four other Warren County libraries and the Warren County United Way to financially support to the Warren County Adult New Readers. The amount of the contribution is not a significant percentage of the total budget.



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*

Lebanon Public Library
Warren County
101 South Broadway
Lebanon, Ohio 45036

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lebanon Public Library, Warren County, Ohio (the Library), as of and for the year ended December 31, 2005, and have issued our report thereon dated September 19, 2006, wherein we noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 September 19, 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*.

Lebanon Public Library
Warren County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and 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

September 19, 2006



**Auditor of State
Betty Montgomery**

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800-282-0370

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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
OCTOBER 10, 2006**