



Mary Taylor, CPA
Auditor of State

**LEBANON PUBLIC LIBRARY
WARREN COUNTY**

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WARREN COUNTY**

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Mary Taylor, CPA

Auditor of State

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 years ended December 31, 2007 and 2006 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 Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, 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, 2007 and 2006 and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and Major Special Revenue Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2008, 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's 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.

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

Mary Taylor, CPA
Auditor of State

May 19, 2008

Lebanon Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
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 years ended December 31, 2007 and 2006, within the limitations of the Library's 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 2007 and 2006 are as follows:

In 2007, net assets of governmental activities decreased \$100,824 or 4.7 percent. The fund most affected by the decrease in cash and cash equivalents was the General Fund as revenues remained stagnant while the cost of operations increased. In 2006, net assets of governmental activities decreased \$299,061, or 12.2 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was again the General Fund, due primarily to the retirement buyout of the former director through Ohio Public Employees Retirement System and the payout of accrued benefits for him. For both years the other funds saw an increase in assets or remained the same.

The Library's general receipts are primarily the Library and Local Government Support Fund. During 2007 and 2006, these receipts represented 82.7 percent and 84.3 percent respectively of the total cash received for governmental activities. LLGSF receipts for 2007 actually decrease by \$13,634 or 1.5 percent compared to 2006. For 2006 LLGSF also decreased by \$11,252 or 1.3 percent compared to 2005. These decreases, if continued over a number of years, would be significant to the Library.

During 2007 circulation increased 10.96 percent over 2006. The Library added wireless internet service and its own web site, added Recorded Books' Modern Scholar CD/Book sets to its collection and demolished a building at 31 West Main at a cost of \$14,600. Other improvements included adding an automatic door opener to the handicapped entrance at a cost of \$2,542, painting all exterior trim and railings at a cost of \$10,714, installing a commercial water softener at a cost of \$5,450, adding custom cabinets with a built-in desk including leaded glass artwork and framing in celebration of its 100 year anniversary at a cost of \$15,015, ceramic retiling of the Library's public restrooms at a cost of \$6,838 and the removal of asbestos from building located at 23 and 31 West Main Street at a cost of \$6,240. The Library made a down payment of \$10,800 for statutes for its reading/resting area (park). Lastly the employees' health insurance plan was changed to PPO thereby reducing the monthly cost to the Library.

During 2006 circulation increased 6.48 percent over 2005. A new line was added to the Library's collection called "Playway". Playway is a small self contained digital audio book less than 3 square inches. It is preloaded with one book and one AAA battery with ear buds included. The start up cost was approximately \$11,000.

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 cash basis of accounting.

Lebanon Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 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 2007 and 2006, within the limitations of 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 grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of 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 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 non-financial factors as well such as the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major revenue sources such as LLGSF.

Lebanon Public Library
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Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are split into two categories: governmental and fiduciary.

Governmental Funds – 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, the Will Trust Fund, Other Trust Fund and the 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. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2007 and 2006 on a cash basis:

	Governmental Activities	
	2007	2006
Assets		
Cash and Cash Equivalents	\$2,045,006	\$2,145,830
Total Assets	\$2,045,006	\$2,145,830
Net Assets		
Restricted for:		
Capital Projects	374,628	373,991
Other Purposes	928,080	878,822
Unrestricted	742,298	893,017
Total Net Assets	\$2,045,006	\$2,145,830

As mentioned previously, net assets of governmental activities decreased \$100,824 or 4.7 percent during 2007 and \$299,061 or 12.2 percent in 2006.

Lebanon Public Library
Management's Discussion and Analysis
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Unaudited

Table 2 reflects the changes in net assets in 2007 and 2006.

(Table 2)
Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$26,276	\$24,348
Total Program Receipts	<u>26,276</u>	<u>24,348</u>
General Receipts:		
LLGSF	843,889	857,523
Contributions, Gifts and Donations	12,987	1,943
Earnings on Investments	121,937	129,121
Miscellaneous	15,158	4,333
Total General Receipts	<u>993,971</u>	<u>992,920</u>
Total Receipts	<u>1,020,247</u>	<u>1,017,268</u>
Disbursements:		
Library Services	1,076,981	1,293,905
Capital Outlay	44,090	22,424
Total Disbursements	<u>1,121,071</u>	<u>1,316,329</u>
(Decrease) in Net Assets	(100,824)	(299,061)
Net Assets, January 1	<u>2,145,830</u>	<u>2,444,891</u>
Net Assets, December 31	<u>\$2,045,006</u>	<u>\$2,145,830</u>

In 2007 and 2006, program receipts represent only 2.6 and 2.4 percent of total receipts respectively and are comprised primarily of fines and fees charged to the public.

In 2007, general receipts represent 97.4 percent of the Library's total receipts, and of this amount, 84.9 percent is LLGSF. In 2006, general receipts represent 97.6 percent of the Library's total receipts, and of this amount, 86.4 percent is LLGSF. Contributions and earnings on investments make up the balance of the Library's general receipts and are somewhat unpredictable revenue sources.

In 2007 and 2006, disbursements for Library services represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs of book purchases, upkeep of the building and grounds, operating supplies, insurance, utilities, computer and Library control services as well as payroll and fringe benefits. Library services decreased by 16% in 2007 due to a buyout of the former director in 2006.

Lebanon Public Library
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Governmental Activities

If you look at the Statements 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 disbursements for Library services are explained in the preceding paragraph.

The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the services. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by LLGSF, interest revenue, gifts/contributions and miscellaneous sources. 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.

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Library Services	\$1,076,981	\$1,050,705	\$1,293,905	\$1,269,557
Capital Outlay	<u>44,090</u>	<u>44,090</u>	<u>22,424</u>	<u>22,424</u>
Total Expenses	<u>\$1,121,071</u>	<u>\$1,094,795</u>	<u>\$1,316,329</u>	<u>\$1,291,981</u>

The dependence upon general receipts is apparent as over 97.7 percent of governmental activities for 2007 and 98.2 percent for 2006 are supported through these general receipts.

The Library's Funds

In 2007, total Library governmental funds had receipts of \$1,020,247 and disbursements of \$1,121,071. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$162,119 as the result of an increase in the general operating costs of the Library such as salaries, fringe benefits, utility cost and insurance. This is the second consecutive year of General Fund expenditures exceeding revenues indicating a deficit spending situation.

In 2006, total Library governmental funds had receipts of \$1,017,268 and disbursements of \$1,316,329. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$360,058 as a result of ever increasing operating cost and the lump sum purchase of OPERS service credit for the former Director.

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 2007 and 2006 the Library did not amend its General Fund budget.

Lebanon Public Library
Management's Discussion and Analysis
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In 2007 final General Fund disbursements were budgeted at \$1,897,386 while actual disbursements were \$1,125,773. Although receipts failed to live up to expectations appropriations were not reduced. The Library kept spending under the budgeted amounts. In 2006 final General Fund disbursements were budgeted at \$2,175,179 while actual disbursements were \$1,335,336.

Capital Assets and Debt Administration

Capital Assets

The Library keeps track of its capital assets and inventory. The Library has engaged Industrial Appraisers to accomplish this task for several years. The capital assets are not reflected on the accompanying financial statements.

Debt

At December 31, 2007 the Library had no outstanding debt.

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 the Library and Local Government Support Fund (LLGSF) and have very little other income. The State Legislature controls the allotment of the LLGSF and these funds are distributed at the County level by a formula agreed upon by all local libraries. The state library associations are lobbying to restore funding to the agreed upon 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, 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, Fiscal Officer/Clerk, Lebanon Public Library, 101 South Broadway, Lebanon, Ohio 45036.

LEBANON PUBLIC LIBRARY, WARREN COUNTY

Statement of Net Assets - Cash Basis

December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,045,006
<i>Total Assets</i>	<u><u>2,045,006</u></u>
Net Assets	
Restricted for:	
Capital Projects	374,628
Unrestricted	1,670,378
<i>Total Net Assets</i>	<u><u>\$2,045,006</u></u>

See accompanying notes to the basic financial statements

LEBANON PUBLIC LIBRARY, WARREN COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2007*

	<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Charges for Services and Sales</u>	
<u>Cash Disbursements</u>		<u>Governmental Activities</u>
Governmental Activities		
Library Services	\$26,276	(\$1,050,705)
Capital Outlay	0	(44,090)
<i>Total Governmental Activities</i>	<u>\$26,276</u>	<u>(1,094,795)</u>

General Receipts

Unrestricted Gifts and Contributions	12,987
Grants and Entitlements not Restricted to Specific Programs	843,889
Earnings on Investments	121,937
Miscellaneous	<u>15,158</u>
<i>Total General Receipts</i>	993,971
Change in Net Assets	(100,824)
<i>Net Assets Beginning of Year</i>	<u>2,145,830</u>
<i>Net Assets End of Year</i>	<u><u>\$2,045,006</u></u>

See accompanying notes to the basic financial statements

LEBANON PUBLIC LIBRARY, WARREN COUNTY

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2007

	<u>GENERAL FUND</u>	<u>WILL TRUST</u>	<u>OTHER TRUST</u>	<u>CAPITAL PROJECT FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$730,898	\$499,213	\$423,659	\$374,628	\$16,608	\$2,045,006
<i>Total Assets</i>	<u>730,898</u>	<u>499,213</u>	<u>423,659</u>	<u>374,628</u>	<u>16,608</u>	<u>2,045,006</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	4,934	0	0	0	11,400	16,334
Unreserved:						
Undesignated, Reported in:						
General Fund	725,964	0	0	0	0	725,964
Special Revenue Funds	0	499,213	423,659	0	5,208	928,080
Capital Projects Funds	0	0	0	374,628	0	374,628
<i>Total Fund Balances</i>	<u>\$730,898</u>	<u>\$499,213</u>	<u>\$423,659</u>	<u>\$374,628</u>	<u>\$16,608</u>	<u>\$2,045,006</u>

See accompanying notes to the basic financial statements

LEBANON PUBLIC LIBRARY, WARREN COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	GENERAL FUND	SPECIAL REVENUE WILL TRUST	SPECIAL REVENUE OTHER TRUST	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts						
Library and Local Government Support	\$843,889					\$843,889
Patron, Fines and Fees	26,276					26,276
Contributions, Gifts and Donations	12,987					12,987
Earnings on Investments	57,766	43,720	19,420	637	394	121,937
Miscellaneous	15,158					15,158
Total Receipts	956,076	43,720	19,420	637	394	1,020,247
Disbursements						
Current:						
Library Services	1,076,981					1,076,981
Capital Outlay	36,006				8,084	44,090
Total Disbursements	1,112,987	0	0	0	8,084	1,121,071
Excess of Receipts Over (Under) Disbursements	(156,911)	43,720	19,420	637	(7,690)	(100,824)
Other Financing Sources (Uses)						
Advances In	2,644				7,852	10,496
Advances Out	(7,852)				(2,644)	(10,496)
Total Other Financing Sources (Uses)	(5,208)	0	0	0	5,208	0
Net Change in Fund Balances	(162,119)	43,720	19,420	637	(2,482)	(100,824)
Fund Balances Beginning of Year	893,017	455,493	404,239	373,991	19,090	\$2,145,830
Fund Balances End of Year	\$730,898	\$499,213	\$423,659	\$374,628	\$16,608	\$2,045,006

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

General Fund

For the Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Library and Local Government Support	\$923,674	\$923,674	\$843,889	(\$79,785)
Patron, Fines and Fees	24,000	24,000	26,276	2,276
Contributions, Gifts and Donations	3,000	3,000	12,987	9,987
Earnings on Investments	36,420	36,420	57,766	21,346
Miscellaneous	15,000	15,000	15,158	158
<i>Total receipts</i>	<u>1,002,094</u>	<u>1,002,094</u>	<u>956,076</u>	<u>(46,018)</u>
Disbursements				
Current:				
Library Services	1,814,060	1,814,060	1,081,914	732,146
Capital Outlay	65,600	65,600	36,007	29,593
<i>Total Disbursements</i>	<u>1,879,660</u>	<u>1,879,660</u>	<u>1,117,921</u>	<u>761,739</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(877,566)</u>	<u>(877,566)</u>	<u>(161,845)</u>	<u>715,721</u>
Other Financing Sources (Uses)				
Transfers Out	(5,000)	(5,000)	0	5,000
Advances In	0	0	2,644	2,644
Advances Out	(5,000)	(5,000)	(7,852)	(2,852)
Other Financing Uses	(7,726)	(7,726)	0	7,726
<i>Total Other Financing Sources (Uses)</i>	<u>(17,726)</u>	<u>(17,726)</u>	<u>(5,208)</u>	<u>12,518</u>
<i>Net Change in Fund Balance</i>	<u>(895,292)</u>	<u>(895,292)</u>	<u>(167,053)</u>	<u>728,239</u>
<i>Fund Balance Beginning of Year</i>	874,010	874,010	874,010	0
Prior Year Encumbrances Appropriated	19,007	19,007	19,007	0
<i>Fund Balance End of Year</i>	<u>(\$2,275)</u>	<u>(\$2,275)</u>	<u>\$725,964</u>	<u>\$728,239</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

Special Revenue Will Trust

For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Earnings on Investments	\$32,640	\$32,640	\$43,720	\$11,080
<i>Total receipts</i>	<u>32,640</u>	<u>32,640</u>	<u>43,720</u>	<u>11,080</u>
Disbursements				
Current:				
Library Services	132,000	132,000	0	132,000
Capital Outlay	356,133	356,133	0	356,133
<i>Total Disbursements</i>	<u>488,133</u>	<u>488,133</u>	<u>0</u>	<u>488,133</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(455,493)</u>	<u>(455,493)</u>	<u>43,720</u>	<u>499,213</u>
<i>Fund Balance Beginning of Year</i>	455,493	455,493	455,493	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>\$499,213</u></u>	<u><u>\$499,213</u></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

Special Revenue Other Trust

For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Earnings on Investments	\$7,316	\$7,316	\$19,420	\$12,104
<i>Total receipts</i>	<u>7,316</u>	<u>7,316</u>	<u>19,420</u>	<u>12,104</u>
Disbursements				
Current:				
Library Services	50,000	50,000	0	50,000
Capital Outlay	361,555	361,555	0	361,555
<i>Total Disbursements</i>	<u>411,555</u>	<u>411,555</u>	<u>0</u>	<u>411,555</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(404,239)</u>	<u>(404,239)</u>	<u>19,420</u>	<u>423,659</u>
<i>Fund Balance Beginning of Year</i>	404,239	404,239	404,239	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>\$423,659</u>	<u>\$423,659</u>

See accompanying notes to the basic financial statements

LEBANON PUBLIC LIBRARY, WARREN COUNTY

Statement of Net Assets - Cash Basis

December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,145,830
<i>Total Assets</i>	<u><u>2,145,830</u></u>
Net Assets	
Restricted for:	
Capital Projects	373,991
Unrestricted	1,771,839
<i>Total Net Assets</i>	<u><u>\$2,145,830</u></u>

See accompanying notes to the basic financial statements

LEBANON PUBLIC LIBRARY, WARREN COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2006*

	<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	\$1,293,905	\$24,348	(\$1,269,557)
Capital Outlay	<u>22,424</u>	<u>0</u>	<u>(22,424)</u>
<i>Total Governmental Activities</i>	<u><u>\$1,316,329</u></u>	<u><u>\$24,348</u></u>	<u><u>(1,291,981)</u></u>

General Receipts

Unrestricted Gifts and Contributions	1,943
Grants and Entitlements not Restricted to Specific Program:	857,523
Earnings on Investments	129,121
Miscellaneous	<u>4,333</u>
<i>Total General Receipts</i>	992,920
 Change in Net Assets	 (299,061)
 <i>Net Assets Beginning of Year</i>	 <u>2,444,891</u>
 <i>Net Assets End of Year</i>	 <u><u>\$2,145,830</u></u>

See accompanying notes to the basic financial statements

LEBANON PUBLIC LIBRARY, WARREN COUNTY

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2006

	<u>GENERAL FUND</u>	<u>WILL TRUST</u>	<u>OTHER TRUST</u>	<u>CAPITAL PROJECT FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$893,017	\$455,493	\$404,239	\$373,991	\$19,090	\$2,145,830
<i>Total Assets</i>	<u>893,017</u>	<u>455,493</u>	<u>404,239</u>	<u>373,991</u>	<u>19,090</u>	<u>2,145,830</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	19,007	0	0	0	0	19,007
Unreserved:						
Undesignated, Reported in:						
General Fund	874,010	0	0	0	0	874,010
Special Revenue Funds	0	455,493	404,239	0	19,090	878,822
Capital Projects Funds	0	0	0	373,991	0	373,991
<i>Total Fund Balances</i>	<u>\$893,017</u>	<u>\$455,493</u>	<u>\$404,239</u>	<u>\$373,991</u>	<u>\$19,090</u>	<u>\$2,145,830</u>

See accompanying notes to the basic financial statements

LEBANON PUBLIC LIBRARY, WARREN COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	GENERAL FUND	SPECIAL REVENUE WILL TRUST	SPECIAL REVENUE OTHER TRUST	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts						
Library and Local Government Support	\$857,523					\$857,523
Patron, Fines and Fees	24,348					24,348
Contributions, Gifts and Donations	1,943					1,943
Earnings on Investments	68,124	\$41,830	\$18,487	\$680		129,121
Miscellaneous	4,333					4,333
Total Receipts	<u>956,271</u>	<u>41,830</u>	<u>18,487</u>	<u>680</u>	<u>0</u>	<u>1,017,268</u>
Disbursements						
Current:						
Library Services	1,293,905					1,293,905
Capital Outlay	22,424					22,424
Total Disbursements	<u>1,316,329</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,316,329</u>
Excess of Receipts Over (Under) Disbursements	<u>(360,058)</u>	<u>41,830</u>	<u>18,487</u>	<u>680</u>	<u>0</u>	<u>(299,061)</u>
Net Change in Fund Balances	(360,058)	41,830	18,487	680	0	(299,061)
Fund Balances Beginning of Year	<u>1,253,075</u>	<u>413,663</u>	<u>385,752</u>	<u>373,311</u>	<u>19,090</u>	<u>\$2,444,891</u>
Fund Balances End of Year	<u>\$893,017</u>	<u>\$455,493</u>	<u>\$404,239</u>	<u>\$373,991</u>	<u>\$19,090</u>	<u>\$2,145,830</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

General Fund

For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Library and Local Government Support	\$857,523	\$857,523	\$857,523	\$0
Patron, Fines and Fees	24,000	24,000	24,348	348
Contributions, Gifts and Donations	3,000	3,000	1,943	(1,057)
Earnings on Investments	34,457	34,457	68,124	33,667
Miscellaneous	4,000	4,000	4,333	333
<i>Total receipts</i>	<u>922,980</u>	<u>922,980</u>	<u>956,271</u>	<u>33,291</u>
Disbursements				
Current:				
Library Services	1,864,209	1,864,209	1,298,312	565,897
Capital Outlay	256,000	256,000	37,024	218,976
<i>Total Disbursements</i>	<u>2,120,209</u>	<u>2,120,209</u>	<u>1,335,336</u>	<u>784,873</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,197,229)</u>	<u>(1,197,229)</u>	<u>(379,065)</u>	<u>818,164</u>
Other Financing Sources (Uses)				
Transfers Out	(20,000)	(20,000)	0	20,000
Advances Out	(5,000)	(5,000)	0	5,000
Other Financing Uses	(29,970)	(29,970)	0	29,970
<i>Total Other Financing Sources (Uses)</i>	<u>(54,970)</u>	<u>(54,970)</u>	<u>0</u>	<u>54,970</u>
<i>Net Change in Fund Balance</i>	<u>(1,252,199)</u>	<u>(1,252,199)</u>	<u>(379,065)</u>	<u>873,134</u>
<i>Fund Balance Beginning of Year</i>	1,235,451	1,235,451	1,235,451	0
Prior Year Encumbrances Appropriated	17,624	17,624	17,624	0
<i>Fund Balance End of Year</i>	<u>\$876</u>	<u>\$876</u>	<u>\$874,010</u>	<u>\$873,134</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

Special Revenue Will Trust

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Receipts				
Earnings on Investments	\$31,689	\$31,689	\$41,830	\$10,141
<i>Total receipts</i>	<u>31,689</u>	<u>31,689</u>	<u>41,830</u>	<u>10,141</u>
Disbursements				
Current:				
Library Services	112,000	112,000	0	112,000
Capital Outlay	333,352	333,352	0	333,352
<i>Total Disbursements</i>	<u>445,352</u>	<u>445,352</u>	<u>0</u>	<u>445,352</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(413,663)</u>	<u>(413,663)</u>	<u>41,830</u>	<u>455,493</u>
<i>Fund Balance Beginning of Year</i>	413,663	413,663	413,663	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>\$455,493</u>	<u>\$455,493</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

Special Revenue Other Trust

For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Earnings on Investments	\$7,103	\$7,103	\$18,487	\$11,384
<i>Total receipts</i>	<u>7,103</u>	<u>7,103</u>	<u>18,487</u>	<u>11,384</u>
Disbursements				
Current:				
Library Services	50,000	50,000	0	50,000
Capital Outlay	342,855	342,855	0	342,855
<i>Total Disbursements</i>	<u>392,855</u>	<u>392,855</u>	<u>0</u>	<u>392,855</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(385,752)</u>	<u>(385,752)</u>	<u>18,487</u>	<u>404,239</u>
<i>Fund Balance Beginning of Year</i>	385,752	385,752	385,752	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>\$404,239</u>	<u>\$404,239</u>

See accompanying notes to the basic financial statements

Lebanon Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

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 Fiscal Officer/Clerk.

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 cash basis of accounting. This 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 cash basis of accounting.

Lebanon Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 2 – Summary of Significant Accounting Policies (continued)

In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the 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.

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 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 Years Ended December 31, 2007 and 2006

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.

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 cash basis of accounting. 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.

As a result of the use of this 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. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer/Clerk. 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 Years Ended December 31, 2007 and 2006

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.

During 2007 and 2006 investments were limited to STAROhio 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, 2007.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General fund during 2007 amounted to \$57,766, to the Will Trust Fund of \$43,720, to the Other Trust Fund of \$19,420, to the Capital Projects Fund of \$637 and Other Governmental Funds of \$394.

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. 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 cash basis of accounting.

I. 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Lebanon Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 2 – Summary of Significant Account Policies (continued)

J. 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 encumbrances.

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.

K. 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.

L. Interfund Transactions

Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Note 3 – 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 cash basis are outstanding year end encumbrances treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at 2007 year end (budgetary basis) amounted to \$4,934 for the General Fund and \$11,400 for Other Governmental Funds. For 2006 it was \$19,007 for the General Fund.

Note 4 – Deposits and Investments

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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.

Lebanon Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 4 – Deposits and Investments (continued)

Interim monies may 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).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the Library by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At the end of each year 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

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution.

Lebanon Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 4 – Deposits and Investments (continued)

For the year end December 31, 2007 the carrying amount of the Library’s cash deposits was \$358,437 and the bank balance was \$407,505. Of the bank balance \$100,000 was covered by federal depository insurance and \$307,505 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.

For the year end December 31, 2006 the carrying amount of the Library’s cash deposits was \$388,116 and the bank balance was \$438,411. Of the bank balance \$100,000 was covered by federal depository insurance and \$338,411 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.

Investments

The following deposit/investment objectives will be applied in the management of funds of the Lebanon Public Library. The deposit/investment program shall preserve capital and protect investment principle within defined parameters. The deposit/investment program shall maintain sufficient liquidity to meet reasonably anticipated fiscal operating requirements on an on-going basis throughout the fiscal cycle. The deposit/investment program shall strive to attain the best total return or yield on deposited and invested funds of the Library as is reasonable and prudently achievable within defined parameters. All attempts shall be made to minimize risks inherent in investment through diversification so as to eliminate the risk of loss resulting from an over-concentration of funds in a specific maturity, issuer, industry, geographical area, or class of securities. All attempts shall be made to minimize the costs of financial transactions related to implementing investment strategies.

The Library had the following investment:

	Year Ended 12/31	<u>Carrying Value</u>
STAR Ohio	2007	<u>\$1,686,319</u>
STAR Ohio	2006	<u>\$1,757,464</u>

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library’s investment policy addresses interest rate risk by limiting maturity dates, or average maturity dates, to no more than five (5) years from date of purchase, unless the investment is matched to a specified obligation or debt of the Library, thereby avoiding the need to sell securities on the open market prior to maturity.

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.

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.”

Lebanon Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 5 – Grants in Aid

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 6 - 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 7 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
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*
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	20,000
	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.

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.

Lebanon Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 8 - Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

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) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.77 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, 2007, 2006, and 2005 including fringe benefits and employers' share were \$91,047, \$84,702, and \$80,117 respectively; the full amount has been contributed for these years. 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 Years Ended December 31, 2007 and 2006

Note 9 - 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. 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 2007 local government employer contribution rate was 13.77 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care from January 1 through June 30, 2007 and 6.00 percent from July 1 through December 31, 2007.

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, 2006, include a rate of return on investments of 6.50 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 costs were assumed to increase between .50 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$36,155. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.



Mary Taylor, CPA

Auditor of State

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

Lebanon Public Library
Warren County
101 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 Lebanon Public Library, Warren County, Ohio (the Library), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 19, 2008, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We also 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. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We intend this report solely for the information and use of management and Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 19, 2008



Mary Taylor, CPA
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
JUNE 10, 2008**