



**Auditor of State
Betty Montgomery**

**PUBLIC LIBRARY OF CINCINNATI AND
HAMILTON COUNTY**

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**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***

Public Library of Cincinnati and Hamilton County
Hamilton County
800 Vine Street
Cincinnati, Ohio 45202-2071

To the Board of Trustees:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Public Library of Cincinnati and Hamilton County, Hamilton County, Ohio (the Library), as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 17, 2005. 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 to determine our auditing procedures in order to express our opinions 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 June 17, 2005, we reported other matters involving internal control over financial reporting that 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*.

Public Library of Cincinnati and Hamilton County
Hamilton 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 audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 17, 2005

Comprehensive Annual Financial Report

For the Year Ended
December 31, 2004



THE
PUBLIC
LIBRARY
of Cincinnati
and
Hamilton County,
Ohio

Introductory Section

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**THE PUBLIC LIBRARY OF
CINCINNATI AND HAMILTON COUNTY, OHIO**

Comprehensive Annual Financial Report

For the Year Ended December 31, 2004

Issued by :

Patricia Schoettker
Clerk-Treasurer

**The Public Library of Cincinnati and Hamilton County
Comprehensive Annual Financial Report
For the Year Ended December 31, 2004
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 Comprehensive Annual Financial Report
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THE
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and
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William J. Moran
Vice President

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Secretary

Deliaan A. Gettler

Tara L. Khoury

Elizabeth H. LaMacchia

Bailey W. Turner

Joseph S. Stern, Jr.
Trustee Emeritus

Kimber L. Fender
Executive Director

Patricia Schoettker
Clerk-Treasurer

June 17, 2005

To the Citizens of Hamilton County and
The Board of Library Trustees of
The Public Library of Cincinnati and Hamilton County

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for The Public Library of Cincinnati and Hamilton County for the year ended December 31, 2004. This report contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of The Public Library of Cincinnati and Hamilton County ("The Library"). This CAFR conforms to generally accepted accounting principles (GAAP) as applicable to governmental entities. The responsibility for the accuracy and completeness of all data presented, and the fairness of the presentation, rests with the management of the Library, specifically the Clerk-Treasurer's Office.

This Comprehensive Annual Financial Report is divided into three sections:

1. The **Introductory Section** includes a title page, table of contents, this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, the organizational chart of the Library, and a list of principal officials.
2. The **Financial Section** includes the independent accountants' report on the financial statements, management's discussion and analysis, basic financial statements, notes to the basic financial statements and the combining statements of non-major funds and other schedules that provide detailed information relative to the basic financial statements.
3. The **Statistical Section** includes selective financial, economic and demographic information, generally presented on a multi-year basis for comparative purposes

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

HISTORY AND DEVELOPMENT

The Public Library of Cincinnati and Hamilton County dates from 1853; however, its foundations were laid fifty years earlier when, in 1802, efforts were begun to establish the first of a series of subscription libraries. The Public Library occupied several inadequate facilities until 1870, when the burgeoning Cincinnati Library moved into its own building on Vine Street in the heart of downtown. That structure served the Queen City for 85 years until the building at 8th and Vine Streets opened. During that time, the institution acquired a reputation of quality in both its collection and its service.

The modern era for the Public Library began in 1898 with the establishment of an independent Board of Library Trustees. Within two years, the Main Library opened its first Children's Room, and the first six branches were added in nearby suburbs to create a system. The following year, philanthropist Andrew Carnegie agreed to give funds for nine additional branches, seven of which are still in service.

During the depths of the Great Depression, the Ohio legislature passed a tax on intangibles for the financial support of public libraries. This tax on stocks and bonds provided a stable source of funds for five decades, enabling the State's public libraries to grow to meet increasing patron demands and to keep up with the rapid changes in information.

In 1944, the Hamilton County electorate passed a bond issue to build what would be the first modern library in the United States of the post-war period. Eleven years later, the Main Library moved into a newly built facility at its current location at 8th and Vine Streets, just two blocks from its original building. The Library then turned its efforts to enhancing services and branch facilities, adding several new branches and renovating or expanding existing ones. Demand for library materials increased so dramatically that a major addition was made to the Main Library in 1982 and plans were made to construct a half-dozen large library branches to better serve the heavily populated "beltway" areas of the county. The opening of the Sharonville Branch in November 1993 completed this master plan.

By the mid-'80s, skyrocketing public demand for downtown library services, a rapidly growing collection, and radical expansion of computerization had once again stretched the Main Library to the limits. Planning began in 1988, and in 1995, ground was broken for the further expansion of the Main Library. In January 1997, the addition to the Main Library was opened, and in 1998 the renovation of the main library south building was completed. This created a state-of-the-art, seamless main library building of over one-half million square feet with 97 miles of shelving.

Since the completion of the Main Library renovation, the Library's commitment to strengthening the branches has resulted in the construction of a new Harrison Branch and in the expansion and/or renovation of several existing branches.

Today, The Public Library of Cincinnati and Hamilton County system provides comprehensive services countywide and beyond through its Main Library and 41 neighborhood branches.

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

MATERIALS AND SERVICES

Library cards are free to all Ohio residents. Cards are also free by a reciprocity agreement to Indiana residents of Dearborn County and through library consortium membership to Kentucky residents of Boone, Campbell and Kenton Counties. The card enables system-wide borrowing privileges, access to the Library's electronic resources, and serves as a debit card for copiers and printing. Library facilities are open up to six days per week at branches, and seven days per week at the Main Library.

The Library has a collection of almost 10 million items, including books, children's book and cassette kits, public documents, videos, CD-ROMs, CDs, audio books, DVDs, ebooks, slides, maps, and sheet music, plus thousands of current magazine and newspaper subscriptions. While bestsellers and audiovisual materials account for a significant percentage of the Library's annual circulation, the Library's comprehensive book collection ranges from children's picture books to literature in three dozen languages. The Library also has collections of materials for adult new readers to complement its literacy services that include GED testing, literacy tutoring, workshops and English as a Second Language programs.

The Library's web site (www.CincinnatiLibrary.org) provides access to the Library's online catalog, extensive reference databases and information about the Library and its programs. Specialized web pages – Kidspace and Teenspace – serve children up to age 12 and teens. Using the Library's web site, Library cardholders may reserve, request or renew items, as well as offer comments, ask a reference question and request materials from libraries throughout the world via interlibrary loan. Free internet access is available at all locations, along with a wide selection of web-based research databases.

The Main Library serves as a public reference and resource center for Hamilton County and surrounding counties, and is widely recognized as one of the finest research collections in the country. The Library offers a complete U.S. Patent & Trademark Depository, a U.S. Documents Depository, an outstanding Rare Books & Special Collections Department, and a Grants Resource Center. The Library has one of the nation's top genealogical research collections.

Two special services departments provide library service to those who are unable to use traditional library materials and services. The State Library has designated the Library to provide services for blind and physically handicapped readers in Ohio's 33 southern counties through the Regional Library for the Blind & Physically Handicapped. The Outreach Services Department serves the homebound, and provides programs and book collections to elementary schools, nursing homes, retirement centers, hospitals, and correctional facilities.

The Public Library of Cincinnati and Hamilton County system is widely regarded as one of the best libraries in the country, ranking among the top circulating libraries in the United States. The Library has been an important information source for over 150 years and this focus is reflected in a new mission statement adopted in 2004 – *connecting people with the world of ideas and information.*

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

Significant changes were made in 2004 in how that information is accessed. In August the Library implemented a new computer system, a new web page and a new Library Card and Circulation policy simultaneously. These changes reflect changing needs for information access and provide the tools to meet our customers' information needs for years to come.

Major progress was made on the Library's Strategic Plan for 2004-2008: A Blueprint for the Future. Four staff teams developed action steps to meet the goals set out in the plan to provide relevant services, achieve and maintain financial strength, maintain community awareness, and function as a dynamic organization. A number of these actions were completed in 2004, including, for example, the establishment of a Library Foundation, development of a volunteer program, and completion of a comprehensive Master Facilities Plan.

The Public Library of Cincinnati and Hamilton County Foundation was incorporated in 2004 as a tax-exempt 501(c)(3) non-profit organization to seek private sector financial support. Contributions to the Library Foundation are fully tax-deductible and are used to help strengthen the collection, expand programs, and enhance services.

REPORTING ENTITY

The Library's reporting entity has been defined in accordance with Statement No. 14 and Statement No. 39 of the Governmental Accounting Standards Board. The Library is under the control and management of a Board of Trustees consisting of seven members. Four members of the Board of Library Trustees are appointed by the County Commissioners and three by the judges of the Court of Common Pleas. Board members are appointed for a term of seven years, the term of one trustee expiring each year. At its January meeting, the Board organizes for the ensuing year and elects a president, vice president, and secretary and appoints a clerk treasurer. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the County Commissioners, nor can the Commissioners significantly influence the programs, activities, or level of service performed or provided by the Library. Although the County Commissioners serve in a ministerial capacity as the taxing authority, the Library is fiscally independent of the county. The Board of Library Trustees makes decisions regarding whether to request approval of a tax, the rate and the purpose(s) of the levy. Once those decisions are made, the County Commissioners must place the levy on the ballot.

ECONOMIC CONDITIONS AND OUTLOOK

The service area of the Library is the entire 413 square mile area encompassing Hamilton County and the City of Cincinnati (79 square miles), which is located wholly within the county borders. While the population of the City of Cincinnati declined 9 percent from 364,114 in 1990 to 331,285 in 2000, the total population of Hamilton County declined only 2.4 percent over the decade from 866,228 in 1990 to 845,303 in 2000. This indicates that residents are settling farther from the region's city core. Areas of growth over the last ten years – the fastest in both Ohio and Kentucky – completely encircle Hamilton County with Ohio's Butler County growing 14.2 percent, Warren County increasing 39 percent, Clermont County rising 18.5 percent, and double-digit increases in Kentucky's Boone, Campbell and Kenton Counties.

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

The Library receives the major portion of its income from the Library and Local Government Support Fund (LLGSF). The LLGSF is based on the collection of State income tax, and therefore, is dependent on the economy of the State. This fund, set at 5.7 percent of the personal income tax, was frozen for two years at 2000-2001 distribution levels as of July 2001. In 2003, the Ohio Legislature extended the freeze through June 2005. The LLGSF is distributed to Ohio's 88 counties according to a fixed formula. Within Hamilton County, the distribution is based on the Library's need. Any remainder after the Library's needs are met is distributed on a fixed formula to 37 local governments. Additional moneys are derived from services, fines, federal and State grants, e-rate reimbursements, rents, gifts and investment earnings.

The economic downturn of the past few years has resulted in a reduction in the collection of State income tax and a significant cut in LLGSF funding for the Library since 2002. The Library's LLGSF income for 2004 remained static (only \$295,713 or 6/10 of a percent more than 2003), but was \$5.1 million less than the LLGSF received in 2000. A reduced schedule of service hours and the reduced staffing that went into effect in January 2003 were continued throughout 2004, and new capital projects and renovations remained on hold.

The Ohio legislature is currently reviewing a proposed new State budget that would extend the freeze of LLGSF funding through December 2005, then reduce the distribution by 5% from January 2006 through June 2007. This new budget also proposes a 21% reduction in Ohio's personal income taxes, to be implemented at 4.2% per year until 2010. Since the LLGSF is a percentage of these tax collections, this proposal could result in a significant reduction in future LLGSF receipts. The Ohio legislature is also considering the establishment of a committee to develop a stable, long-term source of funding for local governments, including public libraries.

OTHER INFORMATION

Highlights of the Library's financial activities in 2004 are outlined in Management's Discussion and Analysis, starting on page 3, and in the Notes to the Financial Statements.

A special thanks is extended to my Financial Services staff for their hard work and dedication in compiling cash reports, accrual information and fixed asset information. I would also like to express appreciation to Ms. Betty Montgomery, Auditor of State, and to her Local Government Services staff for their assistance in preparing this report.


PATRICIA SCHOETTKER
CLERK-TREASURER

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Public Library of
Cincinnati and Hamilton County,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

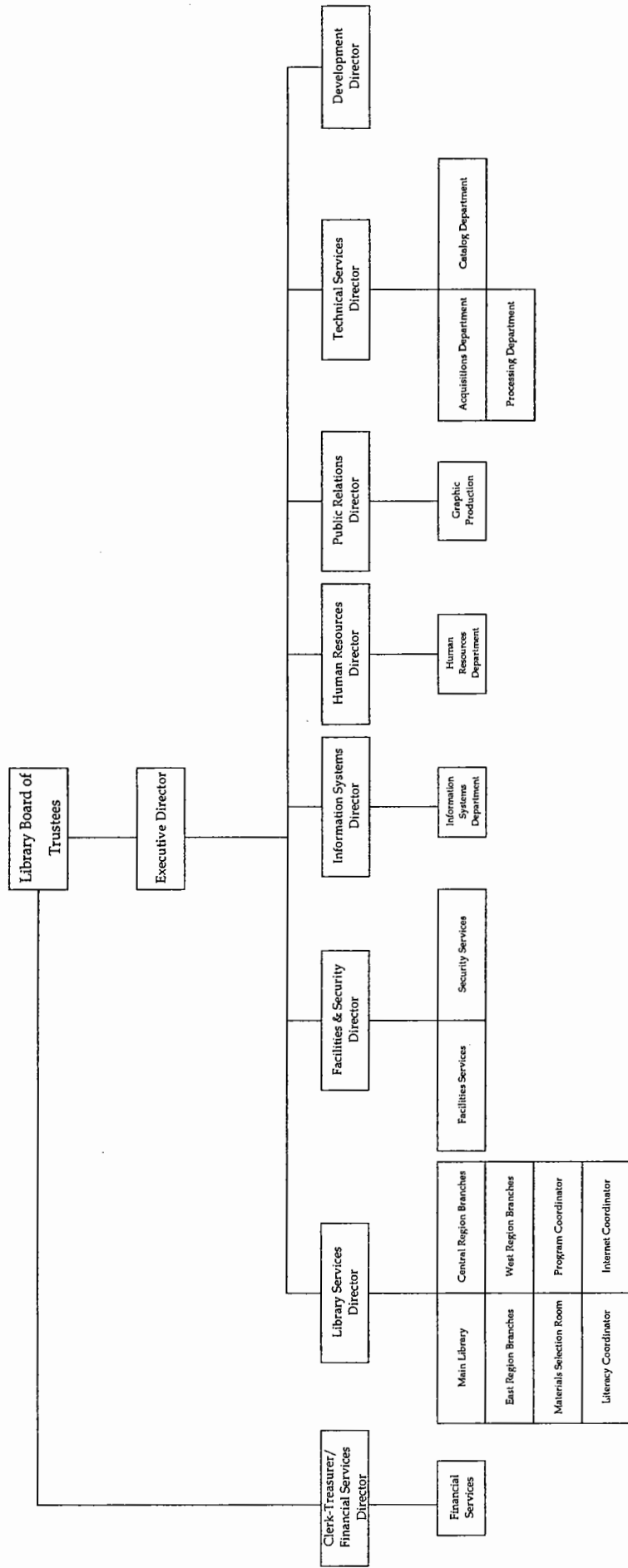
President

Jeffrey R. Enow

Executive Director

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

ORGANIZATIONAL CHART



THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

**LIST OF PRINCIPAL OFFICIALS
AS OF DECEMBER 31, 2004**

Board of Library Trustees

President	Tara L. Khoury
Vice President	Charles W. Anness
Secretary	William J. Moran
Board Members	Deliaan A. Gettler Charles D. Lindberg Elizabeth H. LaMacchia Bailey W. Turner

Appointed Officials

Executive Director	Kimber L. Fender
Clerk-Treasurer/Financial Services Director	Patricia Schoettker

Administrative Staff

Director, Development	John Reusing
Director, Information Systems	Anne Herbert
Director, Human Resources	Mary Bennett
Director, Public Services	Keith Kuhn
Director, Public Relations	Amy Banister
Director, Technical Services	Catherine Sheanshang
Director, Facilities and Security	Ray Hils

Financial Section



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Public Library of Cincinnati and Hamilton County
Hamilton County
800 Vine Street
Cincinnati, Ohio 45202-2071

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Public Library of Cincinnati and Hamilton County, Hamilton County, Ohio (the Library), as of and for the year ended December 31, 2004, 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. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Public Library of Cincinnati and Hamilton County, Hamilton County, Ohio, as of December 31, 2004, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2005, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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.

We conducted our audit to opine on the financial statements that collectively comprise the Library's basic financial statements. The introductory and statistical sections, combining and individual fund statements and schedules provide additional information and are not a required part of the basic financial statements. We subjected the combining and individual fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical sections to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Betty Montgomery
Auditor of State

June 17, 2005

Public Library of Cincinnati and Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

This comprehensive annual financial report presents the Public Library of Cincinnati and Hamilton County's financial performance for the year ended December 31, 2004. The report consists of a series of financial statements and notes to those statements, plus other supplementary information. The financial statements are organized to present both the Library's overall financial position – *governmental-wide financials statements*, plus a detailed look at specific financial activities – *fund financial statements*.

Financial Highlights

Key Financial highlights for 2004 are as follows:

- At December 31, the Library's net assets exceeded \$142 million. Of this amount, \$29 million (unrestricted net assets) may be used to meet ongoing obligations.
- At the close of the fiscal year, the Library's General Fund reported an ending fund balance of \$10.3 million, essentially unchanged from the prior year.
- The Library's only debt as of December 31 was a \$228,202 capital lease for public copiers.

Government-wide Financial Statements

The government-wide financial statements include all the activities of the Library. The *statement of net assets* is the basic government-wide statement of position, presenting information on all of the Library's assets and liabilities, with the difference between the two reported as net assets.

The government-wide *statement of activities* presents changes in the net assets reported on the government-wide statement of net assets. The governmental activities of the Public Library of Cincinnati and Hamilton County are categorized as either LIBRARY SERVICES, including Public Service and Programs and Collection Development and Processing, or SUPPORT SERVICES, including Facilities Operation and Maintenance, Information Services Support, and Business Administration.

The government-wide financial statements can be found starting on page 9.

Fund Financial Statements

The fund financial statements provide detail of the Library's activities at the fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Library are governmental funds.

The Library's general fund, special revenue funds, capital projects funds, and permanent funds are all classified as governmental funds. The funds are reported using the modified accrual accounting method, which measures cash and other financial assets that can readily be converted to cash. The governmental fund financial statements provide a

detailed short-term view of the Library’s general governmental operations and the basic services it provides. The statements include the *balance sheet* and the *statement of revenues, expenditures, and changes in fund balance*. A reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities facilitates a comparison between governmental funds and governmental activities.

The Library presents 25 individual governmental funds during the year ended December 31, 2004. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance only for the general fund, the only major fund. The remaining funds are reported together as a single “other governmental” fund. Individual data for several of these non-major funds is provided elsewhere in combining statements. Data from all remaining funds is combined with an appropriate fund or in a “various” fund presentation.

The Library adopts an annual appropriated budget for each of its funds. A budgetary comparison statement (Budget and Actual (Budget Basis)) has been provided for each governmental fund that had activity during 2004 to demonstrate compliance with this budget.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 – 33 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government’s financial position. As of December 31, 2004, the Library’s assets exceeded liabilities by \$142 million. The table below provides a comparative analysis of net assets between fiscal years 2003 and 2004:

	2004	2003
Assets		
Current Assets	\$46,402,482	\$50,513,873
Investments	6,089,474	5,988,195
Capital Assets, Net	96,244,207	99,330,009
Total Assets	<u>148,736,163</u>	<u>155,832,077</u>
Liabilities		
Current Liabilities	(2,558,725)	(2,602,303)
Long Term Liabilities	(4,037,660)	(3,936,311)
Total Liabilities	<u>(6,596,385)</u>	<u>(6,538,614)</u>
Net Assets		
Invested in Capital Assets	96,016,005	99,046,288
Restricted	17,111,254	18,040,897
Unrestricted	29,012,519	32,206,278
Total Net Assets	<u>\$142,139,778</u>	<u>\$149,293,463</u>

The largest portion of the Library's net assets (68%) reflects its capital assets – land and improvements, fine art and rare book collections, buildings and improvements, furniture, fixtures and equipment, and vehicles. The Library uses these assets to provide services; consequently, these assets generally are not available for future spending. This could change if a decision is made in the future to consolidate services or facilities. With the exception of outstanding debt for public copiers, the Library's capital assets are free of outstanding debt.

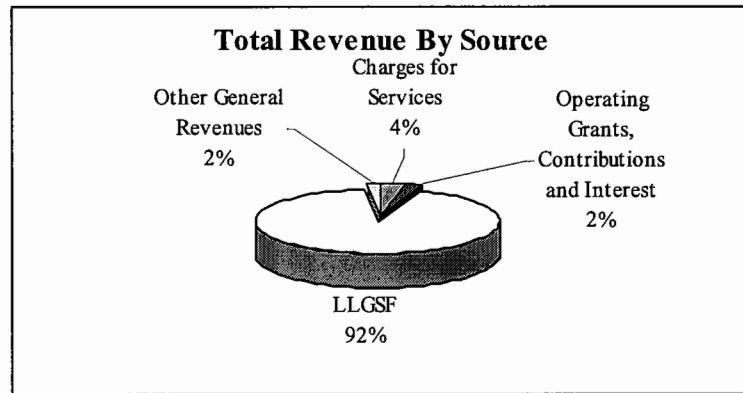
An additional portion of the Library's net assets (12%) represents resources reserved for planned capital improvement projects, restricted principal, and other resources subject to external restrictions. The remaining balance of unreserved net assets (20%) may be used to meet the Library's ongoing activities. The Library is able to report positive balances in all three categories of net assets, including a healthy positive balance of \$29 million in unrestricted net assets.

Compared to the previous fiscal year, the total net assets of the Library's governmental activities decreased by \$7,153,685 during the current year. Most of the decrease is due to the impact of the inconsistent distribution of intergovernmental revenue on the projection of future receivables. Specifically, the receivable for LLGSF revenue recorded at December 31, 2003 expected to be received in 2004, but was spread across two fiscal years of the State. The remaining decrease is primarily the result of the depreciation of capital assets.

The following table explains the change in net assets in terms of the Library's governmental activities. The comparative analysis between fiscal year 2003 and 2004 emphasizes that the key factor in the decrease in net assets is intergovernmental revenues, rather than program revenues or expenses. However, an overall 13% decrease in program revenues can be attributed primarily to a reduction in grant funding for the Library for the Blind program, a change in the receipt of Annual Fund donations by the newly-formed Library Foundation rather than the Library, and by a general decrease in contributions.

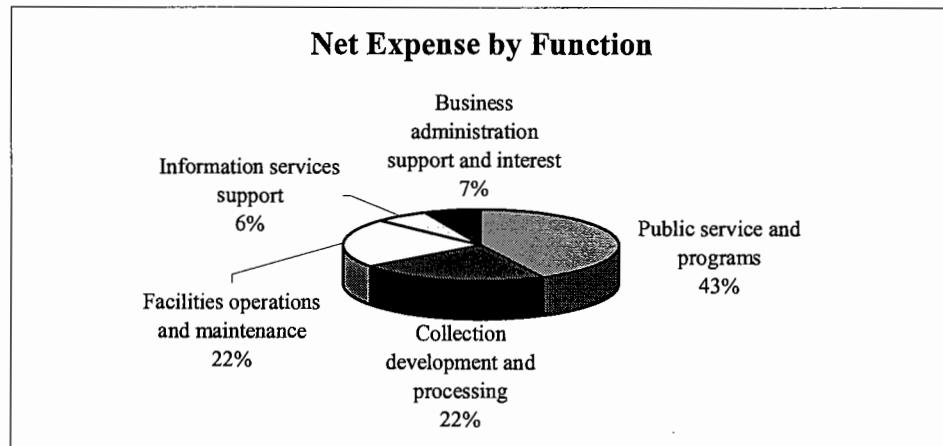
	2004	2003
Revenues		
<u>Program Revenues:</u>		
Charges for Services	\$1,712,030	\$1,648,232
Operating Grants, Contributions and Interest	1,000,138	1,469,788
<u>General Revenues:</u>		
Intergovernmental LLGSF	45,044,063	48,876,713
Other General Revenues	751,447	861,958
Contributions	8,979	4,195
Total Revenues	<u>48,516,657</u>	<u>52,860,886</u>
Program Expenses		
Library Services	36,938,913	35,761,158
Support Services	18,721,476	18,245,720
Interest	9,953	2,819
Total Expenses	<u>55,670,342</u>	<u>54,009,697</u>
Change in Net Assets	<u>(\$7,153,685)</u>	<u>(\$1,148,811)</u>

Program revenues (nominal fines and fees), grants and donations, while important, do not cover the full cost of providing free public library service, which is dependent upon intergovernmental revenue not restricted to specific programs. The following graph illustrates the Library's reliance on intergovernmental revenue, specifically the LLGSF, which in 2004 provided 92% of the Library's total revenue for governmental activities. The LLGSF, a portion of the state personal income tax, is normally funded at 5.7% of collections. However, the Ohio legislature froze all distributions from the fund effective July 2001, now extended through June 2005.



In the words of our Mission Statement, the Public Library of Cincinnati and Hamilton County's function is to "connect people with the work of ideas and information". It follows then that the expenses for the governmental activity Library Services, which includes both Public Service and Programs and Collection Development and Processing, makes up the largest portion of net expense – over 65%. Net expense by function is detailed in the table below and illustrated in the graph on the following page.

	2004	2003
Net Expense by Function		
Public Service and Programs	\$22,492,226	\$21,082,988
Collection Development and Processing	11,742,239	11,726,675
Facilities Operations and Maintenance	11,817,801	11,448,320
Information Services Support	3,403,299	3,058,959
Business Administration	3,492,656	3,571,866
Interest	9,953	2,819
Total Net Expense by Function	\$52,958,174	\$50,891,627



Fund Financial Analysis

As previously noted, the general fund is the Library's only major fund. The fund balance of the general fund decreased by \$35,997 during 2004. This decrease, although minor, reflects the inability of currently frozen intergovernmental revenues to keep pace with ongoing expenditures. As a result, the reduction in public hours and staffing initiated in 2003 was continued throughout 2004, despite a continually growing demand for services. Yet despite the rising cost of salaries, benefits and contracted services, the Library maintained our same quality of service and successfully controlled operating costs by keeping expenditures in balance with static income levels.

General Fund Budgetary Analysis

Differences between the original budget and the final amended budget were minor; the freeze of governmental income at essentially prior year levels left little opportunity for variance and no increases or reductions of the general fund appropriation were required.

Actual revenue fell short of the final amended budget by \$391,607, primarily as a result of poor interest rates. As a result of management efforts to control operating costs, actual expenditures were \$1.7 million less than the final amended budget.

Capital Assets

As of December 31, 2004, the Library had \$96,244,207 invested in capital assets. The table below provides a comparative analysis of capital assets between fiscal year 2003 and 2004. Any variance is primarily a result of depreciation.

	2004	2003
Land	\$14,164,897	\$14,164,897
Fine Arts and Rare Books Collections	17,614,531	17,614,531
Land Improvements	374,030	356,965
Buildings and Improvements	59,995,672	61,817,163
Furniture, Fixtures and Equipment	4,021,714	5,296,551
Vehicles	73,363	79,902
Total Capital Assets	<u>\$96,244,207</u>	<u>\$99,330,009</u>

For more information on capital assets, see Note 8 to the basic financial statements.

Debt

In 2003, the Library entered into a capital lease agreement in the amount of \$297,271. The amount outstanding at December 31, 2004 was \$228,202.

For more information on this lease, see Note 9 to the basic financial statements.

Contacting the Library's Financial Management

The financial report is designed to provide our citizens with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have any questions about this report or need additional information, contact Patricia Schoettker, Clerk Treasurer, Public Library of Cincinnati and Hamilton County, 800 Vine Street, Cincinnati, Ohio, 45202.

Public Library of Cincinnati and Hamilton County
Statement of Net Assets
December 31, 2004

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash	
Equity in Pooled Cash and Cash Equivalents	\$19,896,828
Accrued Interest Receivable	32,204
Intergovernmental Receivable	26,028,727
Prepaid Items	93,342
Supplies Inventory	351,381
Investments	6,089,474
Capital Assets	
Land	14,164,897
Fine Art and Rare Books Collection	17,614,531
Depreciable Capital Assets, Net	64,464,779
Total Assets	148,736,163
<u>Liabilities</u>	
Accounts payable	1,335,870
Accrued Salaries Payable	1,068,067
Intergovernmental Payable	154,788
Noncurrent liabilities:	
Due within one year	1,752,887
Due in more than one year	2,284,773
Total Liabilities	6,596,385
<u>Net Assets</u>	
Invested in capital assets, net of related debt	96,016,005
Restricted for other purposes	1,349,038
Restricted for capital outlay	7,259,620
Restricted for permanent funds	
Expendable	1,806,391
Nonexpendable	6,696,205
Unrestricted	29,012,519
Total Net Assets	\$142,139,778

See accompanying notes to the basic financial statements.

Public Library of Cincinnati and Hamilton County
Statement of Activities
For the Year Ended December 31, 2004

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and -Changes in Net Assets</u>
	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Earnings on Investments</u>	
<u>Functions/Programs</u>			
Library Services			
Public service and programs	\$25,022,480	\$1,712,030	(\$22,492,226)
Collection development and processing	11,916,433	0	(11,742,239)
Support Services			
Facilities operations and maintenance	11,817,801	0	(11,817,801)
Information services support	3,403,299	0	(3,403,299)
Business administration	3,500,376	0	(3,492,656)
Interest	9,953	0	(9,953)
Total Governmental Activities	<u>\$55,670,342</u>	<u>\$1,712,030</u>	<u>(\$52,958,174)</u>
General Revenues:			
Grants and contributions not restricted to specific programs			45,044,063
Net decrease in fair value of investments			(82,677)
Earnings on investments			246,336
Other			587,788
Contributions to principal for permanent funds			8,979
Total general revenues and contributions			<u>45,804,489</u>
Change in net assets			<u>(7,153,685)</u>
Net assets - beginning of the year			149,293,463
Net assets - end of the year			<u>\$142,139,778</u>

See accompanying notes to the basic financial statements.

Public Library of Cincinnati and Hamilton County
Balance Sheet
Governmental Funds
December 31, 2004

	General	Other Governmental	Total Governmental Funds
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$8,531,513	\$11,365,315	\$19,896,828
Investments	0	6,089,474	6,089,474
Receivables:			
Accrued Interest	0	32,204	32,204
Intergovernmental	26,028,727	0	26,028,727
Prepaid Items	93,342	0	93,342
Supplies Inventory	351,381	0	351,381
Advances To Other Funds	150,000	0	150,000
Total Assets	\$35,154,963	\$17,486,993	\$52,641,956
 <u>Liabilities</u>			
Accounts Payable	\$1,181,440	\$154,430	\$1,335,870
Accrued Salaries Payable	1,054,293	13,774	1,068,067
Intergovernmental Payable	152,836	1,952	154,788
Advances From Other Funds	0	150,000	150,000
Deferred Revenue	22,488,506	0	22,488,506
Total Liabilities	24,877,075	320,156	25,197,231
 <u>Fund Balances</u>			
Reserved for:			
Encumbrances	445,521	369,690	815,211
Advances	150,000	0	150,000
Restricted Principal	0	6,696,205	6,696,205
Unreserved, reported in:			
General Fund	9,682,367	0	9,682,367
Special Revenue Funds	0	1,254,563	1,254,563
Capital Projects Funds	0	7,041,663	7,041,663
Permanent Funds	0	1,804,716	1,804,716
Total Fund Balances	10,277,888	17,166,837	27,444,725
Total Liabilities and Fund Balances	\$35,154,963	\$17,486,993	\$52,641,956

See accompanying notes to the basic financial statements.

**Public Library of Cincinnati and Hamilton County
Reconciliation of Total Governmental Fund Balances
To Net Assets of Governmental Activities
December 31, 2004**

Total fund balances in governmental funds		\$27,444,725
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		96,244,207
Intergovernmental receivables are not available to pay for current-period expenditures and, therefore are deferred in the funds		22,488,506
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Compensated absences payable	(3,809,458)	
Capital leases payable	(228,202)	
		(4,037,660)
Net assets of governmental activities		\$142,139,778

See accompanying notes to the basic financial statements.

Public Library of Cincinnati and Hamilton County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Other Governmental	Total Governmental Funds
<u>Revenues</u>			
Intergovernmental	\$48,088,007	\$630,957	\$48,718,964
Fines and fees	1,712,030	0	1,712,030
Earnings on investments	219,547	194,635	414,182
Contributions, gifts and donations	28,400	181,914	210,314
Net decrease in fair value of investments	0	(82,677)	(82,677)
Miscellaneous	586,314	1,474	587,788
Total Revenues	50,634,298	926,303	51,560,601
<u>Expenditures</u>			
Current:			
Library services			
Public service and programs	24,272,238	716,913	24,989,151
Collection development and processing	11,498,732	401,048	11,899,780
Support services			
Facilities operations and maintenance	8,399,995	80,357	8,480,352
Information services support	3,046,575	524,724	3,571,299
Business administration	3,387,283	89,854	3,477,137
Debt Service			
Principal	55,519	0	55,519
Interest	9,953	0	9,953
Total Expenditures	50,670,295	1,812,896	52,483,191
Net change in fund balances	(35,997)	(886,593)	(922,590)
Fund balances - beginning of year	10,313,885	18,053,430	28,367,315
Fund balances - end of year	<u>\$10,277,888</u>	<u>\$17,166,837</u>	<u>\$27,444,725</u>

See accompanying notes to the basic financial statements.

**Public Library of Cincinnati and Hamilton County
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended December 31, 2004**

Net change in fund balances - total governmental funds (\$922,590)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. These items include:

Capital asset additions	353,246	
Depreciation expense	<u>(3,439,048)</u>	(3,085,802)

Intergovernmental revenue relating to grants and entitlements in the statement of activities that do not provide current resources are not reported as revenues in the funds. Deferred revenues changed by this amount this year. (3,043,944)

Repayment of the principal of the capital leases consumes current financial resources of governmental funds, however, has no effect on net assets. 55,519

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These items include:

Increase in compensated absences		<u>(156,868)</u>
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Change in net assets of governmental activities (\$7,153,685)

See accompanying notes to the basic financial statements.

Public Library of Cincinnati and Hamilton County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Intergovernmental	\$48,176,382	\$48,176,382	\$48,045,267	(\$131,115)
Fines and fees	1,745,000	1,745,000	1,712,030	(32,970)
Earnings on investments	400,000	400,000	219,547	(180,453)
Contributions, gifts and donations	100,000	100,000	28,400	(71,600)
Miscellaneous	561,783	561,783	586,314	24,531
Total revenues	<u>50,983,165</u>	<u>50,983,165</u>	<u>50,591,558</u>	<u>(391,607)</u>
Expenditures				
Current:				
Salaries and benefits				
Salaries and leave benefits	27,927,040	27,927,040	27,613,554	313,486
Retirement benefits	3,784,467	3,784,467	3,712,168	72,299
Insurance benefits	5,395,176	5,387,676	5,050,022	337,654
Other employee benefits	5,000	12,500	10,515	1,985
Supplies	1,006,019	1,021,494	1,021,494	0
Purchased and contracted services	6,575,118	6,679,143	6,089,320	589,823
Library materials and information	9,395,393	9,395,393	8,971,712	423,681
Other objects	35,000	40,500	40,004	496
Debt Service	99,201	99,201	99,201	0
Capital outlay	606,166	481,166	457,147	24,019
Total expenditures	<u>54,828,580</u>	<u>54,828,580</u>	<u>53,065,137</u>	<u>1,763,443</u>
Net change in fund balance	<u>(3,845,415)</u>	<u>(3,845,415)</u>	<u>(2,473,579)</u>	<u>1,371,836</u>
Fund balance at beginning of year	5,950,000	5,950,000	5,950,000	0
Prior year encumbrances appropriated	2,398,579	2,398,579	2,398,579	0
Fund balance at end of year	<u><u>\$4,503,164</u></u>	<u><u>\$4,503,164</u></u>	<u><u>\$5,875,000</u></u>	<u><u>\$1,371,836</u></u>

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 1 - REPORTING ENTITY

The Library was founded in 1853 as a school district library of the Cincinnati School Board. In 1898 when State laws were changed, The Public Library of Cincinnati and Hamilton County, Hamilton County, Ohio (the "Library") was established as a county district library completely separate from the Cincinnati School Board. Currently there is a main library located in downtown Cincinnati and forty-one branches located throughout Hamilton County.

The Board of Library Trustees has a membership of seven: three appointed by the Common Pleas Court Judges, and four by the Hamilton County Commissioners. Appointments are for seven-year terms and members serve without compensation. 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 and personal property, and of exercising such other powers and privileges as are conferred upon it by law. The Library also determines and operates under its own budget. The control and management of the Library is governed by sections 3375.22 to 3375.27 of the Ohio Revised Code. The Board of Library Trustees appoints an Executive Director and Clerk-Treasurer/Financial Services Director to administer the day-to-day operations of the Library.

There is no potential for the Library to provide a financial benefit or to impose a financial burden on the County Commissioners, nor can the Commissioners significantly influence the programs, activities, or level of service performed or provided by the Library. The Library is fiscally independent of the county, although the County Commissioners serve in a ministerial capacity as the taxing authority. The determination to request approval of a tax, the rate and the purpose(s) of the levy are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the County Commissioners must place the levy on the ballot.

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 Hamilton County.

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. Component units may also include organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. The Library has no component units.

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Public Library of Cincinnati and Hamilton County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Library also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more 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.

Governmental-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 financial condition of the governmental activities of the Library at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Library's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Library, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Library.

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 account entity with a self-balancing set of accounts. All funds of the Library are governmental.

Governmental funds are those through which the governmental functions of the Library are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The Library's major governmental fund is the General Fund. This fund is the operating fund of the Library and is used to account 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 other governmental funds of the Library account for grants and other resources where use of the asset is restricted to a particular purpose.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Library are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Library, available means expected to be received within thirty days of year-end.

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Non-exchange transactions, in which the Library receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Library must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Library on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: entitlements, grants, and earnings on investments.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

The budgetary process is prescribed by internal control guidelines and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources, as certified. All funds are required to be budgeted and appropriated. During 2004, the I-Net Production – Special Revenue Fund, Reading Branch – Capital Projects Fund, and Bond Hill Branch – Capital Projects Fund had no cash activity and therefore no budgets were adopted for these funds. Budgetary control is maintained at the object level. Budgetary modifications may only be made by resolution of the Board of Library Trustees.

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Budget

In 2003, Ohio Senate Bill 55 made changes (effective January 8, 2004) to Ohio Revised Code Section 5705.28, the section of law that requires the Library to submit an annual budget. As revised, Sec. 5705.281 provides that in any county in which a single library receives all of the county library and local government support fund or receives all of that portion of the fund that is distributed to libraries, the county budget commission may waive the requirement that that public library certify to the taxing authority its estimate of contemplated revenue and expenditures. However, if the county budget commission waives this requirement, it can require the library to provide any information the commission requires to perform its duties under this chapter.

In response to a request by the Library Board of Trustees, the Hamilton County Budget Commission, on January 13, 2004, approved a motion to allow the Library to file a modified tax budget for 2005, in a simplified but more useful format. This approval must be reviewed on an annual basis.

Estimated Resources

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Clerk/Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as final budgeted amounts on the budgetary statements reflect the amounts in the final amended certificate in effect at the time the final appropriations were passed.

Appropriations

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

F. Cash and Cash Equivalents

Cash received by the Library is pooled in a common group of bank accounts. Moneys for all funds, except the unexpendable portion of permanent funds, are maintained in the accounts or temporarily used to purchase investments. Individual fund integrity is maintained through Library records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

During 2004, investments included Certificates of Deposit, U.S. Treasury Notes, U.S. Savings Bonds, Federal Agency Bonds and Debentures, and STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2004.

Investments, except for non-participating investment contracts, are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and repurchase agreements, are reported at cost.

Ohio statutes specify the funds to receive an allocation of interest earnings. Interest and dividend revenue credited to the General Fund during 2004 amounted to \$219,547, which includes \$104,241 assigned from other Library funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the Library are presented on the financial statements as cash equivalents.

G. Inventory of Supplies

Inventory is stated at cost on a first-in, first-out basis and is expended/expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense/expenditure in the year in which services are consumed.

I. Capital Assets

All capital assets of the Library are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Library maintains a capitalization threshold of \$1,500. The Library does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

All reported capital assets, except land and fine art and rare book collections, are depreciated. Fine art and rare book collections are considered inexhaustible. Improvements are depreciated over the remaining useful lives of the related capital assets and leasehold improvements (included in building improvements) are depreciated over the life of the lease. Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	10 – 30 years
Buildings and Improvements	25 - 50 years
Furniture, Fixtures and Equipment	5 - 25 years
Vehicles	6 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the Library will compensate the employees through paid time off or some other means.

The Library recognizes four "open" holidays. These are national holidays on which the Library remains open; therefore full time employees who work earn an equal number of hours in holiday time. Holiday time is accrued as a liability at December 31.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Library's past experience in making termination payments.

K. Reservations of Fund Balance

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances, advances to other funds, and restricted principal (the contributions to the permanent funds).

L. Advances to Other Funds

Long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. These amounts are eliminated in the governmental activities column of the statement of net assets.

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

M. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include amounts legally restricted or donor designated for specific purposes, such as purchasing library materials or supporting library programs.

The Library applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

During 2004, the Library has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units.” This Statement further defines the guidelines of GASB Statement No. 14, “The Financial Reporting Entity.” The implementation of this new statement has no effect on the Library’s financial statements for fiscal year 2004.

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis requires accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

Net Change in Fund Balance – General Fund

GAAP Basis	\$ (35,997)
Revenue Accruals	(42,740)
Expenditure Accruals	249,485
Encumbrances	<u>(2,644,327)</u>
Budget Basis	<u><u>\$(2,473,579)</u></u>

NOTE 5 – FUND BALANCE

The General Fund is carrying a positive fund balance.

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the Treasury. Such moneys 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.

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS - continued

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 certificates of deposit maturing no 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 moneys. Interim moneys are those moneys, 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.

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

Interim moneys may be invested in the following securities:

- A. United States Treasury Notes, Bills, Bonds, 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;
- B. Bonds, notes, debentures, or any other obligations or securities 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;
- C. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio;
- E. No-load money market mutual funds consisting exclusively of obligations described in division (A) or (B) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- F. The State Treasurer's investment pool (STAROhio).

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 6 - 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 with 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. "

Deposits

At year-end, the carrying amount of the Library's deposits was \$14,734,183; the bank balance was \$15,194,898. The Federal Deposit Insurance Corporation (FDIC) covered \$200,000 of the bank balance and the remaining bank balance was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name. In accordance with the Ohio Revised Code, the remaining balance was covered by pooled collateral.

Investments

The Library's investments are required to be categorized to give an indication of the level of risk assumed by the Library at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or by the Library's agent in the Library's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Library's name. STAROhio investments are unclassified since they are not evidenced by securities that exist in physical or book entry form.

	Unclassified	Category 2	Carrying/ Fair Value
Star Ohio	\$5,162,645		\$5,162,645
Federal Farm Credit Bank Debentures		497,345	497,345
Federal Home Loan Bank Debentures		1,483,435	1,483,435
U.S. Savings bonds series HH		133,500	133,500
U.S. Treasury Notes		2,487,070	2,487,070
Federal Home Loan Mortgage Co. Debenture		498,750	498,750
Federal National Mortgage Association Debenture		494,530	494,530
Federal Home Loan Mortgage Co. Note		494,844	494,844
	\$5,162,645	\$6,089,474	\$11,252,119

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 7 - RECEIVABLES

Receivables at December 31, 2004, consisted of intergovernmental and earnings on investments. Intergovernmental receivables consisted of \$26,028,727 from the Local Library and Government Support Fund and is recorded in the General Fund. All receivables are considered fully collectible and will be received in one year due to the stable condition of State programs.

NOTE 8 – CAPITAL ASSETS

Changes in capital assets during the year ended December 31, 2003, were as follows:

	Balance at 12/31/03	Additions	Deductions	Balance at 12/31/04
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$14,164,897	\$0	\$0	\$14,164,897
Fine Art and Rare Books Collection	17,614,531	0	0	17,614,531
Totals Capital Assets, Not Being Depreciated	<u>31,779,428</u>	<u>0</u>	<u>0</u>	<u>31,779,428</u>
Capital Assets Being Depreciated:				
Land Improvements	485,537	31,847	0	517,384
Buildings and Improvements	85,048,395	34,144	0	85,082,539
Furniture, Fixtures and Equipment	14,011,493	248,767	(390,575)	13,869,685
Vehicles	429,683	38,488	(21,289)	446,882
Totals Capital Assets, Being Depreciated	<u>99,975,108</u>	<u>353,246</u>	<u>(411,864)</u>	<u>99,916,490</u>
Less Accumulated Depreciation:				
Land Improvements	(128,572)	(14,782)	0	(143,354)
Building and Improvements	(23,231,232)	(1,855,635)	0	(25,086,867)
Furniture, Fixtures and Equipment	(8,714,942)	(1,523,604)	390,575	(9,847,971)
Vehicles	(349,781)	(45,027)	21,289	(373,519)
Total Accumulated Depreciation	<u>(32,424,527)</u>	<u>(3,439,048) *</u>	<u>411,864</u>	<u>(35,451,711)</u>
Total Capital Assets Being Depreciated, Net	<u>67,550,581</u>	<u>(3,085,802)</u>	<u>0</u>	<u>64,464,779</u>
Governmental Activities Capital Assets, Net	<u>\$99,330,009</u>	<u>(\$3,085,802)</u>	<u>\$0</u>	<u>\$96,244,207</u>

*Depreciation expense is charged to Facilities operations and maintenance.

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 9 – LEASES

Operating Lease

The Library leases equipment used by the public in Internet and microfilm printing under a noncancelable-operating lease. Total costs were \$33,728 for the year ended December 31, 2004. The future minimum lease payments for this lease are as follows:

Year Ending December 31,	
2005	33,728
2006	33,728
2007	33,728
2008	<u>25,377</u>
Total	<u><u>\$126,561</u></u>

Capital Lease

In 2003, the Library entered into a lease agreement as lessee for financing the acquisition of public copier equipment. This lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through the capital lease are included in furniture, fixtures, and equipment with a basis of \$297,271 and accumulated depreciation of \$118,908.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2004 are as follows:

Year Ending December 31,	
2005	\$65,473
2006	65,473
2007	65,473
2008	<u>49,024</u>
Total minimum lease payments	245,443
Less: amount representing interest	<u>17,241</u>
Present value of minimum lease payments	<u><u>\$228,202</u></u>

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 10 - DEFINED BENEFIT PENSION PLAN

The Public Library of Cincinnati and Hamilton County participates in the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS administers three separate pension plans. The traditional pension 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 member and (vested) employer contributions plus any investment earnings thereon. The combined plan is a cost sharing multiple-employer defined benefit pension plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the traditional plan benefit. Member contributions, the investment of which is self-directed by 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 plan and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent for all three plans. The 2004 member contribution rate was 8.5 percent and the employer contribution rate was 13.55 percent of covered payroll. The Library's contributions to OPERS for pension obligations for the years ended December 31, 2004, 2003, and 2002 were \$2,553,369, \$2,208,464, and \$2,236,111, respectively. The full amount has been contributed for 2004, 2003, and 2002.

NOTE 11 - POSTEMPLOYMENT BENEFITS

OPERS provides retirement, disability, survivor and post-retirements health benefits to qualifying members of both the traditional plan and combined plans; however, health care benefits are statutorily guaranteed. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2004 was 13.55 percent of covered payroll for employees; 4.0 percent was the portion that was used to fund health care.

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 11 - POSTEMPLOYMENT BENEFITS - continued

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 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 at the project wage inflation rate plus an additional factoring ranging from 1.00 to 6.00 percent annually for the next eight years and 4.0 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.

At year-end 2004, the number of active contributing participants in the traditional and combined plans totaled 369,885. The Library's actual contributions for 2004, which were used to fund postemployment benefits, were \$1,069,474. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 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. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based in their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchased health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences - Accumulated Unpaid Vacation and Holiday

Library employees who are full-time earn vacation leave at varying rates based upon length of service. The Library recognizes 4 "open" holidays. These are national holidays on which the Library remains open; therefore, full time employees who work earn an equal number of hours in holiday time. In the case of termination, death or retirement, an employee (or his or her estate) is paid for any unused vacation leave up to a maximum of 66 days and unpaid holiday leave up to a maximum of 5 days. The total obligation for vacation and holiday accrual for the Library as a whole amounted to \$2,764,697 at December 31, 2004.

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 12 - OTHER EMPLOYEE BENEFITS - continued

Compensated Absences - Accumulated Unpaid Sick Leave

All full-time employees are given 15 days of monthly sick leave during their benefit year, which is accrued on a monthly basis. In addition, an annual allocation is awarded to each employee who does not use more than 7 ½ days during their benefit period. This annual sick leave allocation is calculated at 50 percent of the unused monthly days earned during their benefit year. An employee is allocated vested sick leave when they have an unused monthly sick leave balance of 120 days and an unused annual sick leave balance of 60 days and have not used more than 7 ½ days during their benefit period. Vested sick leave is calculated at 50 percent of the unused monthly days allocated during their benefit period and will be added to the employees' vested sick leave balance. Upon retirement an employee is paid for their vested sick leave balance up to the maximum of 60 days. The total long-term obligation for sick leave accrual for the Library as a whole as of December 31, 2004 was \$1,044,761.

Health Insurance

The Library provides medical insurance for full-time employees. An employee can choose between three health care plans: Anthem Blue Access PPO, Anthem Blue Preferred Primary HMO, and Anthem Blue Priority HMO. Dental insurance is provided through Anthem Dental PPO. Employees are required to share in the cost of their medical and dental plans.

NOTE 13 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Library carries three layers of insurance coverage. In 2004, the Library contracted with several insurance companies for primary coverage as follows:

<u>Coverage</u>	<u>Company</u>
Accident	Hartford Accident & Indemnity Company
Automobile	Travelers
Crime	Travelers
Commercial Property & Contents	Federal Insurance Company (Chubb Group)
Property/Fine Arts & Rare Books	AXA Art Insurance Group
Property/Library Materials & Valuable Papers	ACE Insurance Company of Ohio
Boiler and Machinery	Travelers
Commercial General Liability	Travelers
Commercial Umbrella	Travelers
Excess Liability	Fireman's Fund Insurance Co. of Ohio
Non-Profit Directors & Officers	Philadelphia Insurance Company
Excess Non-Profit Directors & Officers	Travelers

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 13 - RISK MANAGEMENT - continued

The Library carries two additional layers of Liability Insurance coverage. The Commercial Umbrella Liability coverage is provided by Travelers Insurance Company with the limits of \$25,000,000 each occurrence. The Excess Liability coverage is provided by Fireman's Fund Insurance Company with the limits of \$5,000,000 each occurrence. The Library also carries one additional layer of Non-Profit Directors and Officers coverage. The Excess Non-Profit Directors and Officers coverage is provided by Travelers Insurance Company with the limits of \$10,000,000 each policy.

No insurance settlement has exceeded insurance coverage during the last three years. There has been no significant decrease in the level of coverage from the prior year.

The Library pays the State of Ohio Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries.

The Library also carries Public Official Bond coverage for the Clerk-Treasurer and the Deputy-Clerk Treasurer. These bonds are provided by the Hartford Fire Insurance Company.

NOTE 14 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within one Year</u>
Capital Lease	\$283,721	\$0	(\$55,519)	\$228,202	\$57,695
Compensated Absences	3,652,590	1,965,880	(1,809,012)	3,809,458	1,695,192
Long Term Liabilities	<u>\$3,936,311</u>	<u>\$1,965,880</u>	<u>(\$1,864,531)</u>	<u>\$4,037,660</u>	<u>\$1,752,887</u>

Compensated absences will be paid from the General Fund and the Regional Library for the Blind Special Revenue Fund. The capital lease will be paid from the General Fund.

NOTE 15 - INTERFUND ASSETS/LIABILITIES

Interfund asset and liability balances at December 31, 2004 of \$150,000 represent a receivable to the General Fund which is payable from the Regional Library for the Blind Special Revenue Fund. The advance is to fund expenses that are incurred prior to receiving the revenue from the State. The timing difference is a result of the State of Ohio fiscal year end of June 30.

Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 16 - CONTINGENT LIABILITIES

Litigation

The Library is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, in the opinion of the Library's counsel, the resolution of this matter will not have a material adverse effect on the financial condition of the Library.

Federal and State Grants

For the period January 1, 2004 to December 31, 2004, the Library received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Library believes such disallowance, if any, would be immaterial.

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

Nonmajor Fund Descriptions

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or donor restricted to expenditures for specific purposes. The following are descriptions of the Library's nonmajor special revenue funds.

I-Net Production Studio Fund

To account for money received for the purchase of equipment to participate in the Institutional Network (I-NET). This fund had no activity during 2004, and therefore, no budgetary schedule is presented.

Regional Library for the Blind Fund

To account for federal and state grants received by the Library for the operation of one of the two regional libraries in Ohio that serve the Blind and Physically Handicapped, as designated by the State Library.

Various Funds

To account for the following separate funds which are combined for reporting purposes:

Anderson/Mt. Washington	Hattendorf
Brooks	Clifton Library
Wendel	Friedman
Friends	Garden Club
McNutt-Weber	Hosbrook
Fey	Valerio
Pet Memorial	Gifts

Library Materials Fund

To account for various gifts to purchase library materials.

Maibaugh Fund

To account for a gift from Jean Maibaugh to purchase books for preschool and elementary school children.

Dater Fund

To account for a gift from Charles H. Dater to be used for renovation, maintenance, operation, replacement and upkeep of the Westwood Branch Children's Library and Room including books and other related children's library material.

Hannaford Fund

To account for a gift from the estate of Frances S. Hannaford for the purchase of library materials and to fund capital needs for the Norwood Branch Library.

Library Programs Fund

To account for various gifts to fund library programs.

(continued)

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

Nonmajor Fund Descriptions (continued)

Capital Projects Funds

To account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by trust funds. The following are the descriptions of the Library's nonmajor capital projects funds:

Building and Repair Fund

To account for transfers from the general fund to be used for the acquisition of property for future capital construction, and for major improvements and emergency repair of library facilities, including catastrophic damage not covered by property insurance.

Continued Computerization Fund

To account for transfers from the general fund to be used for the development of technology and the expansion of computer systems. This fund was formerly referred to as the Continued Development of Computerization Fund.

St. Bernard Branch Fund

To account for transfers from the general fund to be used for the construction of a new St. Bernard Branch Library.

Reading Branch Fund

To account for transfers from the general fund to be used for the construction of a new Reading Branch Library. This fund had no activity during 2004, and therefore, no budgetary schedule is presented.

Bond Hill Branch Fund

To account for transfers from the general fund to be used for the construction of a new Bond Hill Branch Library. This fund had no activity during 2004, and therefore, no budgetary schedule is presented.

Permanent Funds

The Permanent Funds are used to account for the proceeds and investment earnings of specific revenue sources that are donor restricted to expenditure for specific purposes. The following are descriptions of the Library's nonmajor permanent funds

Various Permanent Funds

To account for the following separate funds which are combined for reporting purposes:

Anderson Library Committee	Karline Brown	Cochran
Incidental Expenses	Haven Gillespie	Glueck
Goldsmith	Greider	Abell
Hatfield	Hattendorf	Heekin
Huenefeld	Iacobucci	Library Programs
Kahn	Kane/Merton	King
Lenke	Lewis	Marsh
Meister	Nolan	O'Brien
Plaut	DeMarke	Rhein
Schild/SCORE	Sackett	Ruth G. Stern
Stern	Striker	T & R
Trager	Valerio Family	Levesay
Dehner		

(continued)

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

Nonmajor Fund Descriptions (continued)

Armstrong Fund

To account for a gift from George W. Armstrong, President of the Baldwin Piano Company, the interest income is used for the purchase of books, occasional special events, and to supplement the Karline Brown Fund.

Feld Fund

To account for a gift from the estate of Natalie Feld, the initial gift of over \$2.5 million is invested and the interest income is used for the purchase of books on travel and world affairs.

Hadley Fund

To account for a gift, with the interest income used for travel and study purposes for library employees.

Heisel/Dunlap Fund

To account for a gift from the Heisel family and Mrs. Alice M. Dunlap. The interest income is used to provide grants to partially or fully "pay the reasonable costs of tuition for any of its employees who enroll in a course of study the Board of Library Trustees considers essential to the employee's performance".

Kersten Fund

To account for a gift from the estate of Dorothy M.M. Kersten, where the money was to be used to purchase a plaque in her honor. The remaining money is invested and the interest income is used to finance various library programs and to purchase library materials.

Dwyer Fund

To account for a gift from the estate of Cecilia J. Dwyer. The initial gift of \$100,000 is invested and the interest income is used for the purchase of specific library materials.

Howard Fund

To account for a gift from the estate of Jerome Howard. The initial gift of \$1 million and any additional gifts by his estate are invested and the interest income is used to purchase books of non-fiction, with an emphasis on nature and fine arts.

Public Library of Cincinnati and Hamilton County
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Nonmajor Permanent</u>	<u>Total Nonmajor Governmental</u>
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,580,359	\$7,396,392	\$2,388,564	\$11,365,315
Investments	0	0	6,089,474	6,089,474
Receivables:				
Accrued Interest	0	0	32,204	32,204
Total Assets	<u>\$1,580,359</u>	<u>\$7,396,392</u>	<u>\$8,510,242</u>	<u>\$17,486,993</u>
<u>Liabilities</u>				
Accounts Payable	\$10,012	\$136,772	\$7,646	\$154,430
Accrued Salaries Payable	13,774	0	0	13,774
Intergovernmental Payable	1,952	0	0	1,952
Advances From Other Funds	150,000	0	0	150,000
Total Liabilities	<u>175,738</u>	<u>136,772</u>	<u>7,646</u>	<u>320,156</u>
<u>Fund Balances</u>				
Reserved for:				
Encumbrances	150,058	217,957	1,675	369,690
Restricted Principal	0	0	6,696,205	6,696,205
Unreserved, reported in:				
Special Revenue Funds	1,254,563	0	0	1,254,563
Capital Projects Funds	0	7,041,663	0	7,041,663
Permanent Funds	0	0	1,804,716	1,804,716
Total Fund Balances	<u>1,404,621</u>	<u>7,259,620</u>	<u>8,502,596</u>	<u>17,166,837</u>
Total Liabilities and Fund Balances	<u>\$1,580,359</u>	<u>\$7,396,392</u>	<u>\$8,510,242</u>	<u>\$17,486,993</u>

Public Library of Cincinnati and Hamilton County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 December 31, 2004

	I-Net Production Studio	Regional Library for the Blind	Various Special Revenue	Library Materials	Dater	Library Programs	Total
Assets							
Equity in Pooled Cash and Cash Equivalents	\$201,585	\$167,269	\$872,216	\$134,122	\$71,308	\$133,859	\$1,580,359
Total Assets	\$201,585	\$167,269	\$872,216	\$134,122	\$71,308	\$133,859	\$1,580,359
Liabilities							
Accounts Payable	\$0	\$178	\$7,424	\$2,410	\$0	\$0	\$10,012
Accrued Salaries Payable	0	13,774	0	0	0	0	13,774
Intergovernmental Payable	0	1,952	0	0	0	0	1,952
Advances From Other Funds	0	150,000	0	0	0	0	150,000
Total Liabilities	0	165,904	7,424	2,410	0	0	175,738
Fund Balances							
Reserved for:							
Encumbrances	0	0	150,058	0	0	0	150,058
Unreserved	201,585	1,365	714,734	131,712	71,308	133,859	1,254,563
Total Fund Balances	201,585	1,365	864,792	131,712	71,308	133,859	1,404,621
Total Liabilities and Fund Balances	\$201,585	\$167,269	\$872,216	\$134,122	\$71,308	\$133,859	\$1,580,359

Public Library of Cincinnati and Hamilton County
 Combining Balance Sheet
 Nonmajor Capital Projects Funds
 December 31, 2004

	<u>Building and Repair</u>	<u>Continued Computerization</u>	<u>St. Bernard Branch</u>	<u>Reading Branch</u>	<u>Bond Hill Branch</u>	<u>Total</u>
<u>Assets</u>						
Equity in Pooled Cash and Cash Equivalents	\$2,122,691	\$689,169	\$2,884,532	\$1,450,000	\$250,000	\$7,396,392
Total Assets	<u>\$2,122,691</u>	<u>\$689,169</u>	<u>\$2,884,532</u>	<u>\$1,450,000</u>	<u>\$250,000</u>	<u>\$7,396,392</u>
<u>Liabilities</u>						
Accounts Payable	\$0	\$136,772	\$0	\$0	\$0	\$136,772
Total Liabilities	<u>0</u>	<u>136,772</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>136,772</u>
<u>Fund Balances</u>						
Reserved for:						
Encumbrances	0	217,957	0	0	0	217,957
Unreserved	2,122,691	334,440	2,884,532	1,450,000	250,000	7,041,663
Total Fund Balances	<u>2,122,691</u>	<u>552,397</u>	<u>2,884,532</u>	<u>1,450,000</u>	<u>250,000</u>	<u>7,259,620</u>
Total Liabilities and Fund Balances	<u>\$2,122,691</u>	<u>\$689,169</u>	<u>\$2,884,532</u>	<u>\$1,450,000</u>	<u>\$250,000</u>	<u>\$7,396,392</u>

Public Library of Cincinnati and Hamilton County
 Combining Balance Sheet
 Nonmajor Permanent Funds
 December 31, 2004

	Various Permanent	Armstrong	Feld	Hadley	Heisel/ Dunlap	Kersten	Dwyer	Howard	Total
Assets									
Equity in Pooled Cash and Cash Equivalents	\$305,930	\$798,325	\$509,765	\$45,767	\$33,117	\$444,168	\$72,267	\$179,225	\$2,388,564
Investments	835,944	897,877	2,525,464	76,809	278,533	89,719	118,181	1,266,947	6,089,474
Receivables:									
Accrued Interest	4,421	4,748	13,356	406	1,473	475	625	6,700	32,204
Total Assets	<u>\$1,146,295</u>	<u>\$1,700,950</u>	<u>\$3,048,585</u>	<u>\$122,982</u>	<u>\$313,123</u>	<u>\$534,362</u>	<u>\$191,073</u>	<u>\$1,452,872</u>	<u>\$8,510,242</u>
Liabilities									
Accounts Payable	\$0	\$7,443	\$0	\$0	\$0	\$203	\$0	\$0	\$7,646
Total Liabilities	<u>0</u>	<u>7,443</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>203</u>	<u>0</u>	<u>0</u>	<u>7,646</u>
Fund Balances									
Reserved for:									
Encumbrances	0	1,019	0	500	156	0	0	0	1,675
Restricted Principal	926,818	986,042	2,773,445	84,350	305,883	98,529	129,786	1,391,352	6,696,205
Unreserved	219,477	706,446	275,140	38,132	7,084	435,630	61,287	61,520	1,804,716
Total Fund Balances	<u>1,146,295</u>	<u>1,693,507</u>	<u>3,048,585</u>	<u>122,982</u>	<u>313,123</u>	<u>534,159</u>	<u>191,073</u>	<u>1,452,872</u>	<u>8,502,596</u>
Total Liabilities and Fund Balances	<u>\$1,146,295</u>	<u>\$1,700,950</u>	<u>\$3,048,585</u>	<u>\$122,982</u>	<u>\$313,123</u>	<u>\$534,362</u>	<u>\$191,073</u>	<u>\$1,452,872</u>	<u>\$8,510,242</u>

Public Library of Cincinnati and Hamilton County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Permanent	Total Nonmajor Governmental
<u>Revenues</u>				
Intergovernmental	\$630,957	\$0	\$0	\$630,957
Earnings on investments	15,898	0	178,737	194,635
Contributions, gifts and donations	172,935	0	8,979	181,914
Net decrease in fair value of investments	0	0	(82,677)	(82,677)
Miscellaneous	0	0	1,474	1,474
Total Revenues	819,790	0	106,513	926,303
<u>Expenditures</u>				
Current:				
Library Services				
Public service and programs	683,366	0	33,547	716,913
Collection development and processing	283,223	0	117,825	401,048
Support Services				
Facilities operations and maintenance	56,836	23,521	0	80,357
Information services support	0	524,724	0	524,724
Business administration	28,616	0	61,238	89,854
Total Expenditures	1,052,041	548,245	212,610	1,812,896
Net change in fund balances	(232,251)	(548,245)	(106,097)	(886,593)
Fund balances - beginning of year	1,636,872	7,807,865	8,608,693	18,053,430
Fund balances - end of year	<u>\$1,404,621</u>	<u>\$7,259,620</u>	<u>\$8,502,596</u>	<u>\$17,166,837</u>

Public Library of Cincinnati and Hamilton County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004

	I-Net Production Studio	Regional Library for the Blind	Various Special Revenue	Library Materials	Maibaugh	Dater	Library Programs	Total
<u>Revenues</u>								
Intergovernmental	\$0	\$630,957	\$0	\$0	\$0	\$0	\$0	\$630,957
Earnings on investments	0	0	10,933	1,636	1,006	745	1,578	15,898
Contributions, gifts and donations	0	0	111,936	15,867	0	20,000	25,132	172,935
Total Revenues	0	630,957	122,869	17,503	1,006	20,745	26,710	819,790
<u>Expenditures</u>								
Current:								
Library Services								
Public service and programs	0	647,908	12,965	0	0	1,539	20,954	683,366
Collection development and processing	0	456	34,863	26,957	217,000	3,947		283,223
Support Services								
Facilities operations and maintenance	0	0	56,836	0	0	0	0	56,836
Information services support	0	0	0	0	0	0	0	0
Business administration	0	0	28,616	0	0	0	0	28,616
Total Expenditures	0	648,364	133,280	26,957	217,000	5,486	20,954	1,052,041
Net change in fund balances	0	(17,407)	(10,411)	(9,454)	(215,994)	15,259	5,756	(232,251)
Fund balances - beginning of year	201,585	18,772	875,203	141,166	215,994	56,049	128,103	1,636,872
Fund balances - end of year	\$201,585	\$1,365	\$864,792	\$131,712	\$0	\$71,308	\$133,859	\$1,404,621

Public Library of Cincinnati and Hamilton County
Combining Statement of Revenues, Expenditures, and Changes in fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004

	Building and Repair	Continued Computerization	St. Bernard Branch	Reading Branch	Bond Hill Branch	Total
Revenues						
Contributions, gifts and donations	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0	0	0
Expenditures						
Current:						
Support Services						
Facilities operations and maintenance	23,521	0	0	0	0	23,521
Information services support	0	524,724	0	0	0	524,724
Total Expenditures	23,521	524,724	0	0	0	548,245
Net change in fund balances	(23,521)	(524,724)	0	0	0	(548,245)
Fund balances - beginning of year	2,146,212	1,077,121	2,884,532	1,450,000	250,000	7,807,865
Fund balances - end of year	\$2,122,691	\$552,397	\$2,884,532	\$1,450,000	\$250,000	\$7,259,620

Public Library of Cincinnati and Hamilton County
Combining Statement of Revenues, Expenditures, and Changes in fund Balances
Nonmajor Permanent Funds
For the Year Ended December 31, 2004

	Various Permanent	Armstrong	Feld	Hadley	Heisel/ Dunlap	Kersten	Dwyer	Howard	Total
Revenues									
Earnings on investments	\$26,528	\$26,789	\$54,030	\$2,012	\$5,708	\$34,196	\$3,146	\$26,328	\$178,737
Contributions, gifts and donations	8,979	0	0	0	0	0	0	0	8,979
Net decrease in fair value of investments	(7,712)	(12,812)	(36,037)	(1,096)	(3,975)	(1,280)	(1,686)	(18,079)	(82,677)
Miscellaneous	0	1,474	0	0	0	0	0	0	1,474
Total Revenues	27,795	15,451	17,993	916	1,733	32,916	1,460	8,249	106,513
Expenditures									
Current:									
Library Services									
Public service and programs	6,383	0	0	0	0	26,606	558	0	33,547
Collection development and processing	32,448	0	33,607	0	0	0	7,477	44,293	117,825
Support Services									
Business administration	3,346	48,938	0	2,558	6,396	0	0	0	61,238
Total Expenditures	42,177	48,938	33,607	2,558	6,396	26,606	8,035	44,293	212,610
Net change in fund balances	(14,382)	(33,487)	(15,614)	(1,642)	(4,663)	6,310	(6,575)	(36,044)	(106,097)
Fund balances - beginning of year	1,160,677	1,726,994	3,064,199	124,624	317,786	527,849	197,648	1,488,916	8,608,693
Fund balances - end of year	\$1,146,295	\$1,693,507	\$3,048,585	\$122,982	\$313,123	\$534,159	\$191,073	\$1,452,872	\$8,502,596

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Regional Library for the Blind Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$509,051	\$800,641	\$800,641	\$0
Total revenues	<u>509,051</u>	<u>800,641</u>	<u>800,641</u>	<u>0</u>
Expenditures				
Current:				
Salaries and benefits				
Salaries	201,313	371,018	367,093	3,925
Retirement benefits	27,306	50,302	49,740	562
Insurance benefits	19,798	38,213	35,438	2,775
Supplies	8,125	10,140	8,987	1,153
Purchased and contracted services	91,297	173,053	167,876	5,177
Library materials and information	2,376	1,618	703	915
Capital outlay	<u>21,299</u>	<u>16,000</u>	<u>16,000</u>	<u>0</u>
Total expenditures	<u>371,514</u>	<u>660,344</u>	<u>645,837</u>	<u>14,507</u>
Net change in fund balance	137,537	140,297	154,804	14,507
Fund balance at beginning of year	11,453	11,453	11,453	0
Prior year encumbrances appropriated	<u>1,011</u>	<u>1,011</u>	<u>1,011</u>	<u>0</u>
Fund balance at end of year	<u><u>\$150,001</u></u>	<u><u>\$152,761</u></u>	<u><u>\$167,268</u></u>	<u><u>\$14,507</u></u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Various Special Revenue Funds
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Earnings on investments	\$6,735	\$6,735	\$10,933	\$4,198
Contributions, gifts and donations	24,000	64,000	111,936	47,936
Total Revenues	<u>30,735</u>	<u>70,735</u>	<u>122,869</u>	<u>52,134</u>
Expenditures				
Current				
Supplies	27,765	27,765	11,833	15,932
Purchased and contracted services	89,900	272,900	234,549	38,351
Library materials and information	57,194	57,194	40,829	16,365
Other objects	2,500	2,500	550	1,950
Capital outlay	68,500	68,500	11,527	56,973
Total expenditures	<u>245,859</u>	<u>428,859</u>	<u>299,288</u>	<u>129,571</u>
Net change in fund balance	(215,124)	(358,124)	(176,419)	181,705
Fund balance at beginning of year	848,725	848,725	848,725	0
Prior year encumbrances appropriated	27,887	27,887	27,887	0
Fund balance at end of year	<u>\$661,488</u>	<u>\$518,488</u>	<u>\$700,193</u>	<u>\$181,705</u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Library Materials Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$1,200	\$1,200	\$1,636	\$436
Contributions, gifts and donations	20,000	20,000	15,867	(4,133)
Total Revenues	<u>21,200</u>	<u>21,200</u>	<u>17,503</u>	<u>(3,697)</u>
Expenditures				
Current				
Library materials and information	50,617	50,617	26,957	23,660
Total expenditures	<u>50,617</u>	<u>50,617</u>	<u>26,957</u>	<u>23,660</u>
Net change in fund balance	(29,417)	(29,417)	(9,454)	19,963
Fund balance at beginning of year	140,049	140,049	140,049	0
Prior year encumbrances appropriated	1,117	1,117	1,117	0
Fund balance at end of year	<u>\$111,749</u>	<u>\$111,749</u>	<u>\$131,712</u>	<u>\$19,963</u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Maibaugh Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investment	\$1,700	\$1,700	\$1,006	(\$694)
Total Revenues	<u>1,700</u>	<u>1,700</u>	<u>1,006</u>	<u>(694)</u>
Expenditures				
Current				
Library materials and information	216,000	217,000	217,000	0
Total expenditures	<u>216,000</u>	<u>217,000</u>	<u>217,000</u>	<u>0</u>
Net change in fund balance	(214,300)	(215,300)	(215,994)	(694)
Fund balance at beginning of year	215,994	215,994	215,994	0
Fund balance at end of year	<u><u>\$1,694</u></u>	<u><u>\$694</u></u>	<u><u>\$0</u></u>	<u><u>(\$694)</u></u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Dater Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$400	\$400	\$745	\$345
Contributions, gifts and donations	20,000	20,000	20,000	0
Total Revenues	<u>20,400</u>	<u>20,400</u>	<u>20,745</u>	<u>345</u>
Expenditures				
Current				
Supplies	0	500	0	500
Library materials and information	12,195	12,195	3,947	8,248
Capital Outlay	0	3,000	1,539	1,461
Total Expenditures	<u>12,195</u>	<u>15,695</u>	<u>5,486</u>	<u>10,209</u>
Net change in fund balance	8,205	4,705	15,259	10,554
Fund balance at beginning of year	55,854	55,854	55,854	0
Prior year encumbrances appropriated	195	195	195	0
Fund balance at end of year	<u>\$64,254</u>	<u>\$60,754</u>	<u>\$71,308</u>	<u>\$10,554</u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Hannaford Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$0	\$0	\$0	\$0
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Capital outlay	224	224	224	
Total expenditures	<u>224</u>	<u>224</u>	<u>224</u>	<u>0</u>
Net change in fund balance	(224)	(224)	(224)	0
Fund balance at beginning of year	0	0	0	0
Prior year encumbrances appropriated	<u>224</u>	<u>224</u>	<u>224</u>	<u>0</u>
Fund balance at end of year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Library Programs Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$900	\$900	\$1,578	\$678
Contributions, gifts and donations	5,000	5,000	25,132	20,132
Total Revenues	<u>5,900</u>	<u>5,900</u>	<u>26,710</u>	<u>20,810</u>
Expenditures				
Current				
Supplies	3,140	3,140	1,643	1,497
Purchased and contracted services	25,323	25,323	19,407	5,916
Total expenditures	<u>28,463</u>	<u>28,463</u>	<u>21,050</u>	<u>7,413</u>
Net change in fund balance	(22,563)	(22,563)	5,660	28,223
Fund balance at beginning of year	127,736	127,736	127,736	0
Prior year encumbrances appropriated	463	463	463	0
Fund balance at end of year	<u>\$105,636</u>	<u>\$105,636</u>	<u>\$133,859</u>	<u>\$28,223</u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis)
Building and Repair Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Contributions, gifts and donations	\$0	\$0	\$0	\$0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Current				
Purchased and contracted services	110,539	110,539	20,198	90,341
Capital outlay	<u>37,143</u>	<u>37,143</u>	<u>34,274</u>	<u>2,869</u>
Total expenditures	<u>147,682</u>	<u>147,682</u>	<u>54,472</u>	<u>93,210</u>
Net change in fund balance	(147,682)	(147,682)	(54,472)	93,210
Fund balance at beginning of year	2,142,636	2,142,636	2,142,636	0
Prior year encumbrances appropriated	<u>34,526</u>	<u>34,526</u>	<u>34,526</u>	<u>0</u>
Fund balance at end of year	<u><u>\$2,029,480</u></u>	<u><u>\$2,029,480</u></u>	<u><u>\$2,122,690</u></u>	<u><u>\$93,210</u></u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis)
Continued Computerization Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$0	\$0	\$0	\$0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Current				
Purchased and contracted services	418,713	418,713	388,075	30,638
Capital outlay	<u>1,115,700</u>	<u>1,115,700</u>	<u>690,250</u>	<u>425,450</u>
Total expenditures	<u>1,534,413</u>	<u>1,534,413</u>	<u>1,078,325</u>	<u>456,088</u>
Net change in fund balance	(1,534,413)	(1,534,413)	(1,078,325)	456,088
Fund balance at beginning of year	772,662	772,662	772,662	0
Prior year encumbrances appropriated	<u>761,751</u>	<u>761,751</u>	<u>761,751</u>	<u>0</u>
Fund balance at end of year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$456,088</u></u>	<u><u>\$456,088</u></u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis)
St. Bernard Branch Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$0	\$0	\$0	\$0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Current	229,789	229,789	0	0
Total expenditures	<u>229,789</u>	<u>229,789</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(229,789)	(229,789)	0	0
Fund balance at beginning of year	2,654,741	2,654,741	2,654,741	0
Prior year encumbrances appropriated	229,789	229,789	229,789	0
Fund balance at end of year	<u><u>\$2,654,741</u></u>	<u><u>\$2,654,741</u></u>	<u><u>\$2,884,530</u></u>	<u><u>\$0</u></u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Various Permanent Funds
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Earnings on investments	\$27,220	\$27,220	\$30,509	\$3,289
Contributions, gifts and donations	2,500	2,500	8,979	6,479
Miscellaneous revenue	0	0	5,727	5,727
Total revenues	<u>29,720</u>	<u>29,720</u>	<u>45,215</u>	<u>15,495</u>
<u>Expenditures</u>				
Current				
Salaries and benefits				
Other employee benefits	3,000	3,000	3,000	0
Total salaries and benefits	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>0</u>
Supplies	2,500	2,500	1,429	1,071
Purchased and contracted services	36,284	36,284	4,333	31,951
Library materials and information	54,188	54,188	32,180	22,008
Other objects	11,500	11,500	1,917	9,583
Total expenditures	<u>107,472</u>	<u>107,472</u>	<u>42,859</u>	<u>64,613</u>
Net change in fund balance	(77,752)	(77,752)	2,356	80,108
Fund balance at beginning of year	1,145,823	1,145,823	1,145,823	0
Prior year encumbrances appropriated	2,672	2,672	2,672	0
Fund balance at end of year	<u>\$1,070,743</u>	<u>\$1,070,743</u>	<u>\$1,150,851</u>	<u>\$80,108</u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Armstrong Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$31,650	\$31,650	\$31,107	(\$543)
Miscellaneous	0	0	1,474	1,474
Total revenues	<u>31,650</u>	<u>31,650</u>	<u>32,581</u>	<u>931</u>
Expenditures				
Current				
Salaries and benefits				
Other employee benefits	120,638	120,638	68,518	52,120
Total expenditures	<u>120,638</u>	<u>120,638</u>	<u>68,518</u>	<u>52,120</u>
Net change in fund balance	(88,988)	(88,988)	(35,937)	53,051
Fund balance at beginning of year	1,710,800	1,710,800	1,710,800	0
Prior year encumbrances appropriated	20,638	20,638	20,638	0
Fund balance at end of year	<u>\$1,642,450</u>	<u>\$1,642,450</u>	<u>\$1,695,501</u>	<u>\$53,051</u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Feld Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$71,300	\$71,300	\$66,175	(\$5,125)
Total revenues	<u>71,300</u>	<u>71,300</u>	<u>66,175</u>	<u>(5,125)</u>
Expenditures				
Current				
Library materials and information	105,659	105,659	35,088	70,571
Total expenditures	<u>105,659</u>	<u>105,659</u>	<u>35,088</u>	<u>70,571</u>
Net change in fund balance	(34,359)	(34,359)	31,087	65,446
Fund balance at beginning of year	3,021,004	3,021,004	3,021,004	0
Prior year encumbrances appropriated	5,659	5,659	5,659	0
Fund balance at end of year	<u>\$2,992,304</u>	<u>\$2,992,304</u>	<u>\$3,057,750</u>	<u>\$65,446</u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Hadley Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$2,350	\$2,350	\$2,382	\$32
Total revenues	<u>2,350</u>	<u>2,350</u>	<u>2,382</u>	<u>32</u>
Expenditures				
Current				
Salaries and benefits				
Other employee benefits	5,000	5,000	3,058	1,942
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>3,058</u>	<u>1,942</u>
Net change in fund balance	(2,650)	(2,650)	(676)	1,974
Fund balance at beginning of year	123,437	123,437	123,437	0
Fund balance at end of year	<u>\$120,787</u>	<u>\$120,787</u>	<u>\$122,761</u>	<u>\$1,974</u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Heisel/Dunlap Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$7,675	\$7,675	\$7,046	(\$629)
Total Revenues	<u>7,675</u>	<u>7,675</u>	<u>7,046</u>	<u>(629)</u>
Expenditures				
Current				
Salaries and benefits				
Other employee benefits	11,991	11,991	11,802	189
Total expenditures	<u>11,991</u>	<u>11,991</u>	<u>11,802</u>	<u>189</u>
Net change in fund balance	(4,316)	(4,316)	(4,756)	(440)
Fund balance at beginning of year	311,743	311,743	311,743	0
Prior year encumbrances appropriated	6,991	6,991	6,991	0
Fund balance at end of year	<u>\$314,418</u>	<u>\$314,418</u>	<u>\$313,978</u>	<u>(\$440)</u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Kersten Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$30,900	\$30,900	\$34,627	\$3,727
Total revenues	<u>30,900</u>	<u>30,900</u>	<u>34,627</u>	<u>3,727</u>
Expenditures				
Current				
Supplies	15,000	15,000	10,209	4,791
Purchased and contracted services	35,000	35,000	16,195	18,805
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>26,404</u>	<u>23,596</u>
Net change in fund balance	(19,100)	(19,100)	8,223	27,323
Fund balance at beginning of year	526,463	526,463	526,463	0
Fund balance at end of year	<u><u>\$507,363</u></u>	<u><u>\$507,363</u></u>	<u><u>\$534,686</u></u>	<u><u>\$27,323</u></u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Dwyer Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$3,500	\$3,500	\$3,714	\$214
Total revenues	<u>3,500</u>	<u>3,500</u>	<u>3,714</u>	<u>214</u>
Expenditures				
Current				
Supplies	0	1,200	559	641
Library materials and information	12,079	10,879	7,476	3,403
Total expenditures	<u>12,079</u>	<u>12,079</u>	<u>8,035</u>	<u>4,044</u>
Net change in fund balance	(8,579)	(8,579)	(4,321)	4,258
Fund balance at beginning of year	195,744	195,744	195,744	0
Prior year encumbrances appropriated	79	79	79	0
Fund balance at end of year	<u>\$187,244</u>	<u>\$187,244</u>	<u>\$191,502</u>	<u>\$4,258</u>

Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Howard Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$35,280	\$35,280	\$32,421	(\$2,859)
Total revenues	<u>35,280</u>	<u>35,280</u>	<u>32,421</u>	<u>(2,859)</u>
Expenditures				
Current				
Library materials and information	72,897	72,897	44,968	27,929
Total expenditures	<u>72,897</u>	<u>72,897</u>	<u>44,968</u>	<u>27,929</u>
Net change in fund balance	(37,617)	(37,617)	(12,547)	25,070
Fund balance at beginning of year	1,467,121	1,467,121	1,467,121	0
Prior year encumbrances appropriated	2,897	2,897	2,897	0
Fund balance at end of year	<u>\$1,432,401</u>	<u>\$1,432,401</u>	<u>\$1,457,471</u>	<u>\$25,070</u>

Statistical Section

PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY
GOVERNMENT WIDE EXPENSES BY FUNCTION
LAST TWO YEARS

Year*	Library Services	Support Services	Interest	Total
2003	\$35,761,158	\$18,245,720	\$2,819	\$54,009,697
2004	36,938,913	18,721,476	9,953	55,670,342

* 2003 is the first year GASB 34 was implemented.

Source: Library Financial Records

PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

GOVERNMENT WIDE REVENUES

LAST TWO YEARS

Year*	Program Revenues		General Revenues				Total
	Charges for Services	Operating Grants, Contributions, and Interest	Intergovernmental LLGSF	Other General Revenues	Contributions		
2003	\$1,648,232	\$1,469,788	\$48,876,713	\$861,958	\$4,195	\$52,860,886	
2004	1,712,030	1,000,138	45,044,063	751,447	8,979	48,516,657	

* 2003 is the first year GASB 34 was implemented.

Source: Library Financial Records

PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

GENERAL FUND REVENUES BY SOURCE
LAST TEN YEARS

Year*	Intergovernmental	Fines and		Earnings on		Services Provided to Other		Contributions, Gifts and		Miscellaneous	Total
		Fees	Investments	Entities	Donations						
1995	\$41,498,031	\$977,710	\$416,227	\$0	\$44	\$365,978	\$43,257,990				
1996	44,336,902	1,009,835	390,339	0	168	302,761	46,040,005				
1997	44,601,540	1,062,703	1,198,538	0	176	520,853	47,383,810				
1998	47,086,716	1,057,513	980,905	28,122	488	535,474	49,689,218				
1999	49,551,084	1,134,990	855,348	66,109	483	756,413	52,364,427				
2000	52,823,708	1,145,113	1,215,732	26,693	264	985,175	56,196,685				
2001	52,415,810	1,217,990	849,372	25,208	11,715	949,650	55,469,745				
2002	48,337,997	1,289,802	367,481	10,013	62,383	2,555,349	52,623,025				
2003	47,767,788	1,648,282	229,170	0	105,195	701,012	50,451,447				
2004	48,088,007	1,712,030	219,547	0	28,400	586,314	50,634,298				

*GAAP Basis Library Financial Data

Source: Library Financial Records

PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

GENERAL FUND EXPENDITURES
LAST TEN YEARS

Year*	Current Expenditures	Capital Outlay	Debt Service	Total
1995	\$36,609,262	\$145,435	\$13,600	\$36,768,297
1996	37,114,625	267,705	0	37,382,330
1997	39,923,822	362,185	96,456	40,382,463
1998	42,894,942	395,297	96,456	43,386,695
1999	44,601,647	411,782	96,456	45,109,885
2000	46,559,155	770,813	96,457	47,426,425
2001	48,854,069	556,108	96,456	49,506,633
2002	49,567,984	101,307	0	49,669,291
2003	49,862,552	0	16,369	49,878,921
2004	50,604,823	0	65,472	50,670,295

*GAAP Basis Library Financial Data

Source: Library Financial Records

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Year	County	County	County
	Population (a)	Unemployment Rate (b)	Deposits (c)
	(Amounts in 000s)	(Amounts in 000s)	(Amounts in 000s)
1995	866,228	4.1 %	\$18,661,138
1996	866,228	4.0	21,598,936
1997	866,228	3.5	18,070,437
1998	847,202	2.9	24,305,322
1999	840,443	3.0	41,302,569
2000	845,303	2.9	84,005,830
2001	835,362	3.8	133,025,841
2002	833,721	5.1	145,359,134
2003	823,472	5.1	147,868,600
2004	814,611	5.6	149,199,466

Sources:

- (a) U.S. Census Bureau web site
- (b) Ohio Department of Job and Family Services (Ohio Bureau of Employment Services) web site
- (c) Federal Reserve Bank of Cleveland web site

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

MISCELLANEOUS STATISTICS
LAST TEN YEARS

Year	Number of Employees	Numbers of Materials		Number of Library Materials Circulated	Number of Registered Borrowers (a)
		Owned	* #		
1995	879	8,805,414		12,167,290	395,412
1996	850	9,037,042		12,564,004	388,386
1997	922	9,133,681		12,502,014	389,697
1998	927	9,653,049	*	12,805,278	393,509
1999	947	9,993,586	*	13,149,907	396,064
2000	978	10,076,270	*	13,326,369	398,054
2001	980	10,363,842	*	13,808,229	409,954
2002	943	10,261,257	*	14,403,659	404,655
2003	903	10,288,800	*	14,861,011	403,531
2004	862	9,574,449	* #	14,713,793	408,720

Column Notes:

(a) Figures represent all active borrowers on record as of year-end.

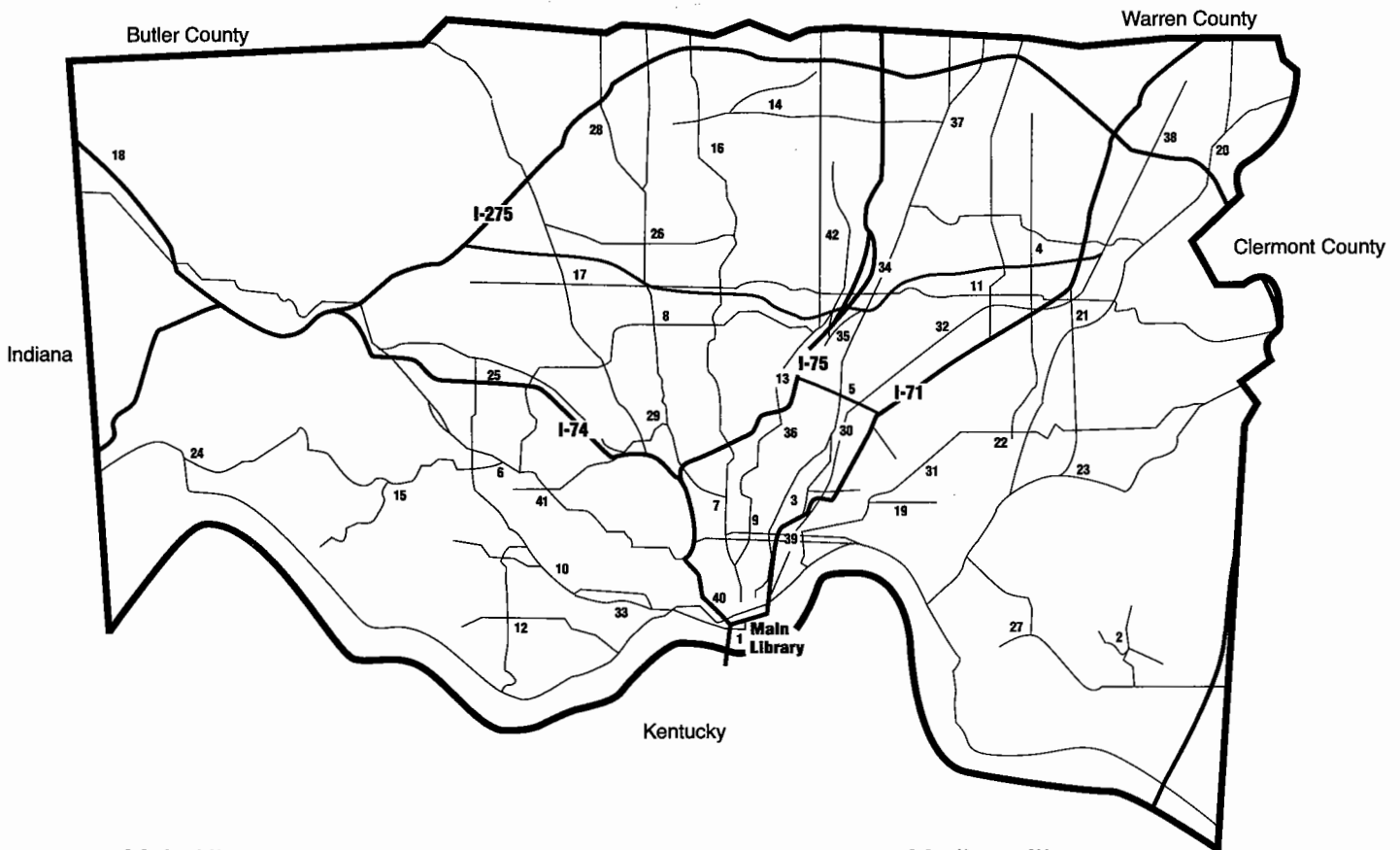
Miscellaneous Notes:

* 1998 forward includes Public Documents collection count.

The decrease in materials owned is the result of several factors relating to the migration from the old CINCH catalog to the new Unicorn system. Prior to migration, there was a clean up process of items that were no longer available for circulation. The new system also counts multiple items in a set as one item as opposed to each individual item being counted in the old system.

Source: Library Statistical Records

Public Library of Cincinnati and Hamilton County Service Areas and Locations



- | | |
|--------------------|---------------------|
| 1. Main Library | 22. Madisonville |
| 2. Anderson | 23. Mariemont |
| 3. Avondale | 24. Miami Township |
| 4. Blue Ash | 25. Monfort Heights |
| 5. Bond Hill | 26. Mt. Healthy |
| 6. Cheviot | 27. Mt. Washington |
| 7. Clifton | 28. North Central |
| 8. College Hill | 29. Northside |
| 9. Corryville | 30. Norwood |
| 10. Covedale | 31. Oakley |
| 11. Deer Park | 32. Pleasant Ridge |
| 12. Delhi Township | 33. Price Hill |
| 13. Elmwood Place | 34. Reading |
| 14. Forest Park | 35. Roselawn |
| 15. Green Township | 36. St. Bernard |
| 16. Greenhills | 37. Sharonville |
| 17. Groesbeck | 38. Symmes Township |
| 18. Harrison | 39. Walnut Hills |
| 19. Hyde Park | 40. West End |
| 20. Loveland | 41. Westwood |
| 21. Madeira | 42. Wyoming |



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PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

HAMILTON 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
JULY 12, 2005**