



Dave Yost · Auditor of State

**LORAIN PUBLIC LIBRARY SYSTEM
LORAIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lorain Public Library System
Lorain County
351 Sixth Street
Lorain, Ohio 44052

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain County Public Library System, Lorain County, Ohio (the Library), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library System, Lorain County, Ohio, as of December 31, 2012 and 2011, and the respective changes in cash financial position, and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2011, the Library adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Library's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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Lorain County
Independent Auditor's Report
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 30, 2013

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Lorain Public Library System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2012 and December 31, 2011
Unaudited

This discussion and analysis of the Lorain Public Library System's, Lorain County, (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2012 and December 31, 2011, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2012 and 2011 are as follows:

In 2012, net position increased \$566,574, or 6.8 percent. In 2011, net position increased by \$609,338 or 7.9 percent, significant changes from the prior years. The fund most affected by the increase in cash and cash equivalents was the General Fund. The increase was a result of operational improvements due to 2012 budget reductions and transfers of operating capital from the Building and Repair Fund in 2011.

The Library's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs, which is the Public Library fund ("PLF"). These receipts represent respectively 96.9 and 95.9 percent of the total cash received for governmental activities in 2012 and 2011. Property tax collections for 2012 and 2011 changed very little in the aggregate compared to 2010 due to the elimination of personal property tax collections in most levy communities and an increase from a replacement levy with additional millage that was first collected in 2011 in Columbia Township. PLF tax receipts for 2012 decreased by \$98,342 from 2011, after having increased by \$206,550 from 2010. The changes were due to the change in the State of Ohio's temporary reduction of PLF from 2.22 percent of the General Revenue Fund, to 1.97 percent for the FY2009-2010 state budget, to a different computational model in the FY2011-2012 state budget.

The net change in Governmental Fund balances from 2010 to 2012 was an increase of \$1,175,912, increase of 15.3 percent.

Using the Basic Financial Statements

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

Report Components

The Statement of Net Position and the Statement of Activities provide information about the cash activities of the Library as a whole.

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

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

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Management's Discussion and Analysis
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Unaudited

Basis of Accounting

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

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

Reporting the Library as a Whole

The Statement of Net Position and the Statement of Activities reflect how the Library did financially during 2012 and 2011, within the limitations of cash basis accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and the PLF.

In the Statement of Net Position and the Statement of Activities, the Library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, library materials and information. These services are primarily funded by property taxes and the PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

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

Governmental Funds – All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not

Lorain Public Library System, Lorain County
 Management's Discussion and Analysis
 For the Years Ended December 31, 2012 and December 31, 2011
 Unaudited

large enough to warrant separate reporting) is combined and presented in total in a single column titled Other Governmental Funds. The Library's only major governmental funds are the General Fund and the Building and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2012 and 2011 compared to 2010 on a cash basis:

(Table 1)
Net Position

	2012	2011	2010
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,871,117	\$8,304,543	\$7,695,205
Total Assets	<u><u>\$8,871,117</u></u>	<u><u>\$8,304,543</u></u>	<u><u>\$7,695,205</u></u>
Net Position			
Restricted for:			
Capital Projects	\$2,046,989	\$2,080,349	\$3,204,810
Debt Service	-	-	1,807
Permanent Fund Purpose	2,382	2,382	2,382
Other Purposes	4,755,435	4,291,184	652,054
Unrestricted	2,066,311	1,930,628	3,834,152
Total Net Position	<u><u>\$8,871,117</u></u>	<u><u>\$8,304,543</u></u>	<u><u>\$7,695,205</u></u>

As mentioned previously, net position of governmental activities increased \$566,574 or 6.8 percent during 2012, and \$609,338 or 7.9 percent during 2011. The primary reasons contributing to the increases in cash balances are as follows:

- Budget reductions implemented in 2010, due to cutbacks in PLF funding, resulted in expense reductions of \$243,363 in 2012 and \$1,089,381 in 2011.
- In 2011, the Library made the final payments on outstanding general obligation notes issued for constructing a branch library in the City of North Ridgeville, Ohio; improving and constructing an addition to the branch library located in the Township of Columbia, Ohio; and improving and renovating existing Library facilities.

Lorain Public Library System, Lorain County
 Management's Discussion and Analysis
 For the Years Ended December 31, 2012 and December 31, 2011
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Table 2 reflects the changes in net position on a cash basis in 2012 and 2011 and 2010 for governmental activities.

(Table 2)
Changes in Net Position

	Governmental Activities		
	2012	2011	2010
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$141,119	\$146,595	\$146,331
Operating Grants and Contributions	97,281	184,337	92,724
Total Program Receipts	<u>238,400</u>	<u>330,932</u>	<u>239,055</u>
General Receipts:			
Property Taxes Levied for General Purposes	4,175,641	4,184,176	4,002,048
Grants and Entitlements Not Restricted to Specific Programs	4,315,326	4,493,267	4,450,570
Unrestricted Gifts and Contributions	493	8,100	1,131
Interest	19,890	24,687	32,640
Miscellaneous	12,494	7,209	37,334
Total General Receipts	<u>8,523,844</u>	<u>8,717,439</u>	<u>8,523,723</u>
Total Receipts	<u>8,762,244</u>	<u>9,048,371</u>	<u>8,762,778</u>
Disbursements:			
Library Services:			
Public Service and Programs	6,320,734	6,180,233	6,541,465
Collection Development and Processing	1,246,134	1,228,843	1,361,411
Support Services:			
Facilities Operation and Maintenance	389,576	369,916	371,944
Capital Outlay	239,226	181,181	777,134
Debt Service:			
Principal Retirement	0	460,000	440,000
Interest and Fiscal Charges	0	18,860	36,460
Total Disbursements	<u>8,195,670</u>	<u>8,439,033</u>	<u>9,528,414</u>
Change in Net Position	566,574	609,338	(765,636)
Net Position, January 1	<u>8,304,543</u>	<u>7,695,205</u>	<u>8,460,841</u>
Net Position, December 31	<u>\$8,871,117</u>	<u>\$8,304,543</u>	<u>\$7,695,205</u>

Program receipts in 2012, 2011 and 2010 represent only 2.7, 3.7 and 2.7 percent respectively, of total receipts and are primarily comprised of patron fines and fees, and contributions, gifts and donations.

Lorain Public Library System, Lorain County
 Management's Discussion and Analysis
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General receipts represent 97.3, 96.3 and 97.3 percent, respectively, of the Library's total receipts, and of this amount, 49.0, 48.0 and 47.0 percent were property taxes in 2012, 2011 and 2010. State grants and entitlements made up 50.6, 51.5 and 52.2 percent respectively of the Library's general receipts in 2012, 2011 and 2010. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for public service and programs, collection development and processing, and facilities operation and maintenance represent the major costs of running the Library.

Governmental Activities

If you look at the Statement of Activities on page 14 for 2012 and page 22 for 2011, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Capital Outlay and Debt Service which account for 77.1 percent, 15.2 percent, 4.8 percent, 2.9 percent and 0.0 percent respectively, in 2012, and 73.2 percent, 14.6 percent, 4.4 percent, 2.1 percent and 5.7 percent respectively, in 2011. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net (Disbursements) Receipts and Changes in Net Position column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	2010	2012	2011	2010
Library Services:						
Public Service and Programs	(\$6,320,734)	(\$6,180,233)	(\$6,541,465)	(\$6,138,968)	(\$5,997,958)	(\$6,311,281)
Collection Development and Processing	(1,246,134)	(1,228,843)	(1,361,411)	(1,189,500)	(1,080,186)	(1,352,540)
Support Services:						
Facilities Operaton and Maintenance	(389,576)	(369,916)	(371,944)	(389,576)	(369,916)	(371,944)
Capital Outlay	(239,226)	(181,181)	(777,134)	(239,226)	(181,181)	(777,134)
Debt Service:						
Principal Retirement		(460,000)	(440,000)		(460,000)	(440,000)
Interest and Fiscal Charges		(18,860)	(36,460)		(18,860)	(36,460)
Total Governmental Activities	<u>(\$8,195,670)</u>	<u>(\$8,439,033)</u>	<u>(\$9,528,414)</u>	<u>(\$7,957,270)</u>	<u>(\$8,108,101)</u>	<u>(\$9,289,359)</u>

The dependence upon local property taxes and PLF receipts is apparent as 97.1 percent of governmental activities in 2012, 96.1 percent of governmental activities in 2011, and 97.5 percent of governmental activities in 2010 were supported through these general receipts.

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2012 and December 31, 2011
Unaudited

The Library's Funds

Total governmental funds had receipts of \$8,762,244 and disbursements of \$8,195,670 in 2012, and had receipts of \$9,048,371 and disbursements of \$8,439,033 in 2011. The fund balance of the General Fund increased \$693,512 in 2012, and increased \$1,140,325 in 2011 after transfers, as the result of the concern of future funding and the Library being conservative in its spending. General Fund receipts were greater than disbursements by \$693,512 in 2012, and greater than disbursements by \$1,025,379 in 2011 indicating that the budget reduction efforts in 2010 had a positive effect on operations in 2011. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. The reductions implemented in 2010, including workforce reduction, reduced purchases of supplies and library materials and renegotiation of service contracts. These cuts will not eliminate the need for additional funds (and/or additional cuts) in the future if the State of Ohio continues to reduce the PLF.

General Fund Budgeting Highlights

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

During 2012 and 2011, the Library's General Fund recovered in large part from deficits in 2009 and 2008 resulting from reductions in state funding.

Final disbursements for 2012 were budgeted at \$9,185,984 while actual disbursements were \$8,127,648. Final disbursements for 2011 were budgeted at \$8,455,718 while actual disbursements were \$8,043,489. Budget reductions in 2010 were implemented to reduce the variance of disbursements over receipts. The Library had to raise its millage in Columbia Township. Successful passage of a replacement levy with an additional .3 mills in May of 2010, is helping to sustain branch operations in that community with additional local property tax receipts collected starting in 2011. The Library has kept spending within budgeted amounts as demonstrated by the positive variances.

Capital Assets and Debt Administration

Capital Assets

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

Debt

The Library made final payments on outstanding general obligation notes issued for constructing a branch library in the City of North Ridgeville, Ohio; improving and constructing an addition to the branch library located in the Township of Columbia, Ohio; and improving and renovating existing Library facilities in 2011. For further information regarding the Library's debt, refer to Note 10 to the basic financial statements.

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2012 and December 31, 2011
Unaudited

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and PLF funding. The State of Ohio's FY2014-FY2015 Budget has reduced the Public Library Funding (PLF) which was initiated as 2.22% of the State's General Revenue Fund, to a temporarily reduced 1.97% of the State's General Revenue Fund, to a new permanent 1.66 % of the State's General Revenue Fund. The loss of taxable properties, from the tax rolls in several communities, has reduced local property tax collections in 2013.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to James M. Wilson, Chief Fiscal Officer, Lorain Public Library System, 351 6th Street, Lorain, Ohio 44052.

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Lorain Public Library System
Lorain County
Statement of Net Position - Cash Basis
December 31, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,871,117
 <i>Total Assets</i>	 <u>\$8,871,117</u>
 Net Position	
Restricted for:	
Capital Projects	\$2,046,989
Permanent Fund Purpose	2,382
Other Purposes	4,755,435
Unrestricted	<u>2,066,311</u>
 <i>Total Net Position</i>	 <u>\$8,871,117</u>

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2012

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Library Services:				
Public Service and Programs	\$6,320,734	\$141,119	\$40,647	(\$6,138,968)
Collection Development and Processing	1,246,134		56,634	(1,189,500)
Support Services:				
Facilities Operation and Maintenance	389,576			(389,576)
Capital Outlay	239,226			(239,226)
<i>Total Governmental Activities</i>	<u>\$8,195,670</u>	<u>\$141,119</u>	<u>\$97,281</u>	<u>(7,957,270)</u>
General Receipts				
Property Taxes Levied for General Purposes				4,175,641
Unrestricted Gifts and Contributions				493
Grants and Entitlements not Restricted to Specific Programs				4,315,326
Interest				19,890
Miscellaneous				12,494
<i>Total General Receipts</i>				<u>8,523,844</u>
Change in Net Position				566,574
<i>Net Position, Beginning of Year</i>				<u>8,304,543</u>
<i>Net Position, End of Year</i>				<u>\$8,871,117</u>

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2012

	General Fund	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,667,989	\$2,046,989	\$1,156,139	\$8,871,117
<i>Total Assets</i>	<u>\$5,667,989</u>	<u>\$2,046,989</u>	<u>\$1,156,139</u>	<u>\$8,871,117</u>
Fund Balances				
Nonspendable			\$700	\$700
Restricted			726,849	726,849
Committed	140,991	1,590		142,581
Assigned	3,460,687	2,045,399	428,590	5,934,676
Unassigned	2,066,311			2,066,311
<i>Total Fund Balances</i>	<u>\$5,667,989</u>	<u>\$2,046,989</u>	<u>\$1,156,139</u>	<u>\$8,871,117</u>

See accompanying notes to the basic financial statements

**Lorain Public Library System
Lorain County**

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2012*

Total Governmental Fund Balances	<u>\$8,871,117</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$8,871,117</u></u>

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2012

	General Fund	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$4,175,641			\$4,175,641
Intergovernmental	4,315,326			4,315,326
Patron Fines and Fees	141,119			141,119
Contributions, Gifts and Donations	2,093		95,681	97,774
Earnings on Investments	4,073	14,953	864	19,890
Miscellaneous	<u>12,494</u>			<u>12,494</u>
<i>Total Receipts</i>	<u>8,650,746</u>	<u>14,953</u>	<u>96,545</u>	<u>8,762,244</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	6,279,514		41,220	6,320,734
Collection Development and Processing	1,147,080		99,054	1,246,134
Support Services:				
Facilities Operation and Maintenance	389,576			389,576
Capital Outlay	<u>141,064</u>	<u>48,313</u>	<u>49,849</u>	<u>239,226</u>
<i>Total Disbursements</i>	<u>7,957,234</u>	<u>48,313</u>	<u>190,123</u>	<u>8,195,670</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>693,512</u>	<u>(33,360)</u>	<u>(93,578)</u>	<u>566,574</u>
Other Financing Sources (Uses)				
Transfers In	5,000		5,000	10,000
Transfers Out	<u>(5,000)</u>		<u>(5,000)</u>	<u>(10,000)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>693,512</u>	<u>(33,360)</u>	<u>(93,578)</u>	<u>566,574</u>
<i>Fund Balances, Beginning of Year</i>	<u>4,974,477</u>	<u>2,080,349</u>	<u>1,249,717</u>	<u>8,304,543</u>
<i>Fund Balances, End of Year</i>	<u>\$5,667,989</u>	<u>\$2,046,989</u>	<u>\$1,156,139</u>	<u>\$8,871,117</u>

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
*Reconciliation of the Statement of Receipts, Disbursements and Changes
in Fund Balances - Governmental Funds to the Statement of Activities- Cash Basis
For the Year Ended December 31, 2012*

Net Change in Fund Balances - Total Governmental Funds \$566,574

Change in Net Position of Governmental Activities \$566,574

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 4,328,510	\$ 4,343,768	\$ 4,175,641	(\$168,127)
Intergovernmental	4,135,367	4,194,337	4,315,326	120,989
Patron Fines and Fees	110,863	36,635	141,119	104,484
Contributions, Gifts and Donations	1,000	1,000	2,093	1,093
Earnings on Investments	2,830	2,830	4,073	1,243
Miscellaneous	2,000	2,000	12,494	10,494
<i>Total Receipts</i>	<u>8,580,570</u>	<u>8,580,570</u>	<u>8,650,746</u>	<u>70,176</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	7,065,308	7,068,617	6,377,371	691,246
Collection Development and Processing	1,324,393	1,417,551	1,175,301	242,250
Support Services:				
Facilities Operation and Maintenance	481,483	517,635	420,681	96,954
Capital Outlay	<u>222,141</u>	<u>182,181</u>	<u>154,295</u>	<u>27,886</u>
<i>Total Disbursements</i>	<u>9,093,325</u>	<u>9,185,984</u>	<u>8,127,648</u>	<u>1,058,336</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(512,755)</u>	<u>(605,414)</u>	<u>523,098</u>	<u>1,128,512</u>
Other Financing Sources (Uses)				
Transfers In		5,000	5,000	0
Transfers Out		<u>(5,000)</u>	<u>(5,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(512,755)</u>	<u>(605,414)</u>	<u>523,098</u>	<u>1,128,512</u>
<i>Fund Balance, Beginning of Year</i>	<u>4,747,857</u>	<u>4,747,857</u>	<u>4,747,857</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>226,620</u>	<u>226,620</u>	<u>226,620</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$4,461,722</u>	<u>\$4,369,063</u>	<u>\$5,497,575</u>	<u>\$1,128,512</u>

See accompanying notes to the basic financial statements

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Lorain Public Library System
Lorain County
Statement of Net Position - Cash Basis
December 31, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,304,543
<i>Total Assets</i>	<u>\$8,304,543</u>
 Net Position	
Restricted for:	
Capital Projects	\$2,080,349
Permanent Fund Purpose	2,382
Other Purposes	4,291,184
Unrestricted	<u>1,930,628</u>
<i>Total Net Position</i>	<u>\$8,304,543</u>

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Library Services:				
Public Service and Programs	\$6,180,233	\$146,595	\$35,680	(\$5,997,958)
Collection Development and Processing	1,228,843		148,657	(1,080,186)
Support Services:				
Facilities Operation and Maintenance	369,916			(369,916)
Capital Outlay	181,181			(181,181)
Debt Service:				
Principal Retirement	460,000			(460,000)
Interest and Fiscal Charges	18,860			(18,860)
<i>Total Governmental Activities</i>	<u>\$8,439,033</u>	<u>\$146,595</u>	<u>\$184,337</u>	<u>(8,108,101)</u>
 General Receipts				
Property Taxes Levied for General Purposes				4,184,176
Unrestricted Gifts and Contributions				8,100
Grants and Entitlements not Restricted to Specific Programs				4,493,267
Interest				24,687
Miscellaneous				<u>7,209</u>
<i>Total General Receipts</i>				<u>8,717,439</u>
Change in Net Position				609,338
<i>Net Position, Beginning of Year</i>				<u>7,695,205</u>
<i>Net Position, End of Year</i>				<u>\$8,304,543</u>

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2011

	General Fund	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,974,477	\$2,080,349	\$1,249,717	\$8,304,543
<i>Total Assets</i>	<i><u>\$4,974,477</u></i>	<i><u>\$2,080,349</u></i>	<i><u>\$1,249,717</u></i>	<i><u>\$8,304,543</u></i>
Fund Balances				
Nonspendable			\$700	\$700
Restricted			770,960	770,960
Committed	224,628			224,628
Assigned	2,819,221	2,080,349	478,057	5,377,627
Unassigned	1,930,628			1,930,628
<i>Total Fund Balances</i>	<i><u>\$4,974,477</u></i>	<i><u>\$2,080,349</u></i>	<i><u>\$1,249,717</u></i>	<i><u>\$8,304,543</u></i>

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2011

Total Governmental Fund Balances	<u>\$8,304,543</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$8,304,543</u></u>

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2011

	General Fund	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$4,184,176			\$4,184,176
Intergovernmental	4,493,267			4,493,267
Patron Fines and Fees	146,595			146,595
Contributions, Gifts and Donations	8,100		184,337	192,437
Earnings on Investments	2,901	21,149	637	24,687
Miscellaneous	7,209			7,209
<i>Total Receipts</i>	<u>8,842,248</u>	<u>21,149</u>	<u>184,974</u>	<u>9,048,371</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	6,126,289	298	53,646	6,180,233
Collection Development and Processing	1,207,021		21,822	1,228,843
Support Services:				
Facilities Operation and Maintenance	369,916			369,916
Capital Outlay	113,643	42,786	24,752	181,181
Debt Service:				
Principal Retirement			460,000	460,000
Interest and Fiscal Charges			18,860	18,860
<i>Total Disbursements</i>	<u>7,816,869</u>	<u>43,084</u>	<u>579,080</u>	<u>8,439,033</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,025,379</u>	<u>(21,935)</u>	<u>(394,106)</u>	<u>609,338</u>
Other Financing Sources (Uses)				
Transfers In	600,000		485,054	1,085,054
Transfers Out	<u>(485,054)</u>	<u>(600,000)</u>		<u>(1,085,054)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>114,946</u>	<u>(600,000)</u>	<u>485,054</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>1,140,325</u>	<u>(621,935)</u>	<u>90,948</u>	<u>609,338</u>
<i>Fund Balances, Beginning of Year</i>	<u>3,834,152</u>	<u>2,702,284</u>	<u>1,158,769</u>	<u>7,695,205</u>
<i>Fund Balances, End of Year</i>	<u>\$4,974,477</u>	<u>\$2,080,349</u>	<u>\$1,249,717</u>	<u>\$8,304,543</u>

See accompanying notes to the basic financial statements

Lorain Public Library System

Lorain County

*Reconciliation of the Statement of Receipts, Disbursements and Changes
in Fund Balances - Governmental Funds to the Statement of Activities- Cash Basis
For the Year Ended December 31, 2011*

Net Change in Fund Balances - Total Governmental Funds \$609,338

Change in Net Position of Governmental Activities \$609,338

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund*
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 4,713,485	\$ 4,713,485	\$ 4,184,176	(\$529,309)
Intergovernmental	4,385,927	4,039,679	4,493,267	453,588
Patron Fines and Fees	127,000	127,000	146,595	19,595
Contributions, Gifts and Donations	199,118	250,645	8,100	(242,545)
Earnings on Investments	6,850	6,850	2,901	(3,949)
Miscellaneous	6,600	6,600	7,209	609
<i>Total Receipts</i>	<u>9,438,980</u>	<u>9,144,259</u>	<u>8,842,248</u>	<u>(302,011)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	6,297,444	6,318,970	6,187,046	131,924
Collection Development and Processing	1,350,562	1,425,407	1,334,080	91,327
Support Services:				
Facilities Operation and Maintenance	485,454	527,658	406,484	121,174
Capital Outlay	<u>270,731</u>	<u>183,683</u>	<u>115,879</u>	<u>67,804</u>
<i>Total Disbursements</i>	<u>8,404,191</u>	<u>8,455,718</u>	<u>8,043,489</u>	<u>412,229</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,034,789</u>	<u>688,541</u>	<u>798,759</u>	<u>110,218</u>
Other Financing Sources (Uses)				
Transfers In	600,000	600,000	600,000	0
Transfers Out	<u>(485,054)</u>	<u>(485,054)</u>	<u>(485,054)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>114,946</u>	<u>114,946</u>	<u>114,946</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,149,735	803,487	913,705	110,218
<i>Fund Balance, Beginning of Year</i>	3,495,249	3,495,249	3,495,249	0
Prior Year Encumbrances Appropriated	<u>338,903</u>	<u>338,903</u>	<u>338,903</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$4,983,887</u>	<u>\$4,637,639</u>	<u>\$4,747,857</u>	<u>\$110,218</u>

See accompanying notes to the basic financial statements

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Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2012 and December 31, 2011

Note 1 – Description of the Library and Reporting Entity

The Lorain Public Library System, Lorain County ("the Library") was organized as a school district public library in 1901 under the laws of the State of Ohio. The Library's service district encompasses the Lorain City School District, the North Ridgeville City School District, the Sheffield-Sheffield Lake City School District, the Avon Local School District, the Clearview Local School District, the Columbia Local School District, and the portions of the Firelands Local School District located in the Townships of Henrietta and Camden. The Library has its own seven-member Board of Trustees appointed by the Lorain City School District Board of Education. 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 property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Chief Fiscal Officer.

The Library provides a base level of service to each of the school districts in its large and non-contiguous service area. Some of the communities located in the service area have chosen to levy additional taxes pursuant to Section 5705.19, Revised Code, in order to receive enhanced service for their residents, including the Lorain City School District, the City of Avon, the City of North Ridgeville, the City of Sheffield Lake and Columbia Township. Pursuant to Section 3375.42, Revised Code, the Library has entered into an agreement with the Cities of Avon, North Ridgeville, and Sheffield Lake and Columbia Township whereby it has agreed to use the proceeds of each additional tax levy only to operate the branch facility located in the community that has levied the respective tax. Pursuant to these agreements, the Library has also agreed not to reduce or otherwise alter its base level of funding for any local branch facility that receives additional funding from a local tax levy.

The Library is financially independent of the Lorain City School District, the City of Sheffield Lake, the City of Avon, the City of North Ridgeville and Columbia Township, although these political subdivisions serve in a ministerial capacity as the taxing authorities for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the political subdivisions must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a burden on those political subdivisions.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Lorain City School District.

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 authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

The Friends of the Lorain Public Library System consist of five separate not-for-profit organizations each with a self-appointing board. The Library is not financially accountable for any of the organizations, nor does the Library approve the budgets or the issuance of debt for any of the organizations. Therefore, these organizations have been excluded from the reporting entity of the Library.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2012 and December 31, 2011

The Foundation of the Lorain Public Library System, Inc. is a not-for-profit organization with a self-appointed board. The Library is not financially accountable for the organization, nor does the Library approve the budgets or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

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

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

Fund Accounting

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2012 and December 31, 2011

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

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

Building and Repair Fund The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

The other governmental funds of the Library account for and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Basis of Accounting

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

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

Budgetary Process

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

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

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2012 and December 31, 2011

Cash and Cash Equivalents

Library records identify the purchase of specific investments by specific funds.

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

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2012 and 2011, investments were limited to money market funds, STAR Ohio and nonnegotiable certificates of deposit. The money market and STAR Ohio accounts were reported at the bank balance value at year-end.

The Library's money market fund investment is recorded at amounts reported by Lorain National Bank and Buckeye Community Bank on December 31, 2012 and December 31, 2011.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2012 and December 31, 2011.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2012 amounted to \$4,073 and \$2,901 in 2011.

Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, the Board of Library Trustees or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent \$6,804,806 of the Library's funds at December 31, 2012, and \$6,373,915 of the Library's funds at December 31, 2011 which have had restrictions imposed by contributors, grantors or the Board of Library Trustees.

Inventory and Prepaid Items

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

Capital Assets

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2012 and December 31, 2011

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

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

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Receivables/Payables

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

Accumulated Leave

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2012 and December 31, 2011

Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for special programs and special collections (the largest amounts being for the Book Memorial, Hageman and Stocker), building and capital improvements and monies related to the North Ridgeville Branch, Avon Branch, Columbia Branch, Domonkas Branch and Main Library.

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

Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Accounting Principle

Beginning in 2011, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds and all other governmental funds as previously reported.

For 2011, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Library's 2011 financial statements; however, there was no effect on beginning net position/fund balance.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2012 and December 31, 2011

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$170,413 for the general fund at December 31, 2012, and \$226,620 at December 31, 2011.

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Interim deposits in duly authorized depositories of LPLS, provided those deposits are properly insured or collateralized as required by law.
4. Federally insured certificates of deposit issued through the Certificate of Deposit Account Registry Service (CDARS) by financial institutions located in the United States, provided that (i) the funds are initially invested by the library through a financial institution that is participating in CDARS and that is located and doing business in the State of Ohio; (ii) the financial institution in the State of Ohio receives reciprocal deposits from customers of other financial institutions in an amount equal to the funds initially invested by the jurisdiction; and (iii) each such certificate of deposit is in an amount that is eligible for full FDIC insurance coverage.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2012 and December 31, 2011

5. Bonds and other obligations of the State of Ohio or Ohio local governments;
6. No-load money market mutual funds consisting of securities described in paragraphs 1 and 2 of this Section and repurchase agreements secured by such obligations, provided all such investments under this paragraph meets the requirements of Chapter 135 of the Ohio Revised Code (including that such not include any investment in a "derivative");
7. Overnight or term (not exceeding 30 days) repurchase agreements meeting the requirements of Section 135.14(E) of the Ohio Revised Code, with: (i) a bank or savings and loan association eligible to be a depository of public funds of Ohio subdivisions or (ii) a member of the National Association of Securities Dealers;
8. The State Treasurer's investment pool (STAR Ohio).

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

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

At each year end, the Library had \$850 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2012, \$4,641,265 of the Library's bank balance of \$5,217,178 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name. At year end 2011, \$3,915,857 of the Library's bank balance of \$4,423,037 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2012 and December 31, 2011

Investments

As of December 31, 2012 and December 31, 2011 the Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
	\$3,725,906	Less Than One Year
	<u>Carrying Value</u>	<u>Maturity</u>
	\$3,723,069	Less Than One Year

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

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

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

Note 6 – Property Taxes and Intergovernmental

Property taxes include amounts levied against all real property and public utility property located in the Library's Districts. Property tax receipts received in 2012 and 2011 for real and public utility property taxes represents collections of the 2011 and 2010 taxes.

2012 and 2011 real property taxes are levied after October 1, 2012 and 2011 on the assessed values as of January 1, 2012 and January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013, and 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2012 and December 31, 2011

lien on December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. 2011 public utility taxes which became a lien on December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2012, was \$1.65 per \$1,000 of assessed value. The assessed values of real and public utility tangible property upon which 2012 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$2,088,753,770
Other	397,672,760
Public Utility Property	<u>42,215,160</u>
Total	<u>\$2,528,641,690</u>

The full tax rate for all Library operations for the year ended December 31, 2011, was \$1.66 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2011 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$2,063,132,720
Other	419,903,320
Public Utility Property	41,105,470
Mobile Home	<u>1,050,420</u>
Total	<u>\$2,525,191,930</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected for the Lorain City School District. The finance directors from the other taxing authorities remit to the Library its portion of the taxes collected for their cities or township.

Another source of revenue for Ohio public libraries is the State Public Library Fund (PLF). The State allocates PLF to each county based on the county's prior intangibles tax of PLF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Note 7 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2012, the Library contracted with The Ohio Plan for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
The Ohio Plan	Commercial Property	\$47,750,602
	General Liability	\$5,000,000/\$7,000,000
	Employee Benefits	\$5,000,000/\$7,000,000
	Employee Dishonesty	\$100,000
	Vehicle	\$5,000,000
	Library Officials	\$5,000,000/\$7,000,000

Lorain Public Library System
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Notes to the Basic Financial Statements
For the Years Ended December 31, 2012 and December 31, 2011

During 2011, the Library contracted with The Ohio Plan for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
The Ohio Plan	Commercial Property	\$46,359,806
	General Liability	\$5,000,000/\$7,000,000
	Employee Benefits	\$5,000,000/\$7,000,000
	Employee Dishonesty	\$100,000
	Vehicle	\$5,000,000
	Library Officials	\$5,000,000/\$7,000,000

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

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Note 8 - Defined Benefit Pension Plan

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – The Library participates in the Ohio Public Employees Retirement System (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 the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the years ended December 31, 2012 and December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2012 and 2011, member and employer contribution rates were consistent across all three plans.

The Library's 2012 and 2011 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent during calendar year 2012, and 4 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during Calendar year 2012, and 6.05 percent during

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2012 and December 31, 2011

calendar year 2011. Employer contribution rates are actuarially determined. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the numbered of covered dependents and coverage selected.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$532,342, \$534,012, and \$560,866, respectively; 100.00 percent has been contributed for 2012, 2011 and 2010. There were no contributions to the Member-Directed Plan for 2012 or 2011.

Note 9 – Post-Employment Benefits

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012 and 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent from January 1 through December 31, 2012, and 4 percent from January 1 through December 31, 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent from January 1 through December 31, 2012, and 6.05 percent from January 1 through December 31, 2011.

Lorain Public Library System
Lorain County
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The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$152,090, \$152,567, and \$203,727, respectively; 100.00 percent has been contributed for 2012, 2011, and 2010.

Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered 1 percent for both plans, as recommended by the OPERS actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the numbered of covered dependents and coverage selected.

Note 10 - Note Payable

The Library issued a General Obligation Note for new construction and improvement projects in 2002. The Library pledged its PLF receipts as collateral. The original issue amount was \$4,000,000, with a net interest rate of 3.07%. The final payment on outstanding debt was made in 2011.

Note 11 – Interfund Transfers

In 2012, the Stocker Fund transferred \$5,000 to the General Fund to provide funding for a joint Lorain County Libraries program, and \$5,000 was transferred from the General Fund to the Summer Reading Program for the Teen Reading Program. In 2011, the Building & Repair Fund transferred \$600,000 to the Library's General Fund to meet internal fund balance requirements needed for Library working capital, the General Fund transferred \$8,000 to the Fall Family Read Aloud Fund to support the annual program, and \$477,054 was transferred from the General Fund to the Debt Service Fund for the general obligation note (see Note 10).

Note 12 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Lorain County
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2012

	General Fund	Building & Repair Fund	Other Governmental Funds	Total
Fund Balances				
Nonspendable				
Permanent			700	700
<i>Total Nonspendable</i>	<i>0</i>	<i>0</i>	<i>700</i>	<i>700</i>
Restricted for				
Summer Reading			6,063	6,063
Fall Family Read Aloud			5,331	5,331
Project Lite			4,751	4,751
Book Memorial			273,531	273,531
LPLS Foundation			42	42
Hageman			302,620	302,620
Stocker			39,720	39,720
Kurtz Temperance			1,685	1,685
Domonkas Building			93,106	93,106
<i>Total Restricted</i>	<i>0</i>	<i>0</i>	<i>726,849</i>	<i>726,849</i>
Committed to				
Highland Project	129,974			129,974
Schill Snow	11,017			11,017
CDW Gov.		1,590		1,590
<i>Total Committed</i>	<i>140,991</i>	<i>1,590</i>	<i>0</i>	<i>142,581</i>
Assigned to				
Encumbrances	44,345	1,696		46,041
North Ridgeville Branch	1,204,654			1,204,654
Avon Branch	495,170			495,170
Columbia Branch	222,722			222,722
Domonkas Branch	204,463			204,463
Main Library	1,289,333			1,289,333
Building & Repair		2,043,703		2,043,703
Capital Improvements			428,590	428,590
<i>Total Assigned</i>	<i>3,460,687</i>	<i>2,045,399</i>	<i>428,590</i>	<i>5,934,676</i>
Unassigned (Deficit)	2,066,311	0	0	2,066,311
Total Fund Balances	\$5,667,989	\$2,046,989	\$1,156,139	\$8,871,117

Lorain Public Library System
Lorain County
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2011

Fund Balances	General Fund	Building & Repair Fund	Other Governmental Funds	Total
Nonspendable				
Permanent			700	700
<i>Total Nonspendable</i>	<i>0</i>	<i>0</i>	<i>700</i>	<i>700</i>
Restricted for				
Summer Reading			4,731	4,731
Fall Family Read Aloud			1,689	1,689
Project Lite			4,751	4,751
Book Memorial			329,210	329,210
LPLS Foundation			42	42
Hageman			291,137	291,137
Stocker			44,682	44,682
Kurtz Temperance			1,683	1,683
Domonkas Building			93,035	93,035
<i>Total Restricted</i>	<i>0</i>	<i>0</i>	<i>770,960</i>	<i>770,960</i>
Committed to				
Highland Project	106,945			106,945
Kuno Creative	31,200			31,200
Bodnar Printing	63,121			63,121
Schill Lawn Care	18,112			18,112
NEO-RLS	5,250			5,250
<i>Total Committed</i>	<i>224,628</i>	<i>0</i>	<i>0</i>	<i>224,628</i>
Assigned to				
Encumbrances	76,791	9,558		86,349
North Ridgeville Branch	881,946			881,946
Avon Branch	352,372			352,372
Columbia Branch	140,241			140,241
Domonkas Branch	194,087			194,087
Main Library	1,173,784			1,173,784
Building & Repair		2,070,791		2,070,791
Capital Improvements			478,057	478,057
<i>Total Assigned</i>	<i>2,819,221</i>	<i>2,080,349</i>	<i>478,057</i>	<i>5,377,627</i>
Unassigned (Deficit)	1,930,628	0	0	1,930,628
Total Fund Balances	\$4,974,477	\$2,080,349	\$1,249,717	\$8,304,543

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2012 and December 31, 2011

Note 13 – Related Organizations

The Library does not have any related organizations for which it is accountable.

The Library has the following affiliate organizations for which it is not accountable:

Friends of the Avon Library
Friends of the Columbia Library, Inc.
Friends of the Domonkas Library
Friends of the Lorain Public Library, Inc.
Friends of the North Ridgeville Branch Library, Inc.
The Foundation of the Lorain Public Library System, Inc.

Note 14 – Subsequent Events

On January 22, 2013 the Lorain County Budget Commission notified the Library that 2013 property tax estimations were being reduced by \$378,732 for the Lorain City School District, \$15,007 for Columbia Township and \$5,221 for the City of Sheffield Lake.

In June, 2013, the Ohio General Assembly passed the State biennial budget with a permanent reduction of the PLF from 2.22 percent of the General Revenue Fund to 1.66 percent of the General Revenue Fund.



Dave Yost • Auditor of State

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

Lorain Public Library System
Lorain County
351 Sixth Street
Lorain, Ohio 44052

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library System, Lorain County, Ohio, (the Library) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 30, 2013, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles. We also noted that in 2011 the Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Lorain Public Library System
Lorain County
Independent Auditor's Report on Internal Controls Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 30, 2013



Dave Yost • Auditor of State

LORAIN PUBLIC LIBRARY SYSTEM

LORAIN 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED

NOVEMBER 19, 2013