



Dave Yost • Auditor of State

**LORAIN PUBLIC LIBRARY SYSTEM
LORAIN COUNTY**

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**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, 2014 and 2013, 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, 2014 and 2013, 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. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. 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.

We applied no procedures to the Management's Discussion & Analysis presented on pages 3 - 8 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2015, 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 Library's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 4, 2015

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2014 and December 31, 2013
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, 2014 and December 31, 2013, 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 2014 and 2013 are as follows:

In 2014, net position decreased (\$226,560), or (2.5) percent, a significant change from the prior year. In 2013, net position increased by \$39,441 or 0.4 percent. The fund most affected by the decrease in cash and cash equivalents was the Building & Repair Fund. The decrease was a result of transfers of operating capital from the Building and Repair Fund in 2014.

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 96.0 and 96.5 percent of the total cash received for governmental activities in 2014 and 2013. Property tax collections for 2014 increased from 2013, and 2013 had decreased compared to 2012 due primarily to the reduction of the real estate tax base in the Lorain City School District. PLF tax receipts for 2014 decreased by \$70,212 from 2013, after having increased by \$82,253 from 2012. 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, and then to 1.67 percent in the FY2013-2014 state budget.

The net change in Governmental Fund balances from 2012 to 2014 was a decrease of \$187,119, a decrease of 2.11 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.

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 basic 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

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
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Unaudited

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 basic 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 2014 and 2013, 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. The funds of the Library are split into two categories: governmental and fiduciary.

Governmental Funds – Most 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 basic financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's 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.

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2014 and December 31, 2013
Unaudited

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Library's programs.

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2014 and 2013 compared to 2012 on a cash basis:

(Table 1)

Net Position

	2014	2013	2012
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,683,998	\$8,910,558	\$8,871,117
Total Assets	\$8,683,998	\$8,910,558	\$8,871,117
Net Position			
Restricted for:			
Capital Projects	\$1,574,965	\$2,317,808	\$2,046,989
Permanent Fund Purpose	700	700	2,382
Other Purposes	4,746,088	4,391,706	4,755,435
Unrestricted	2,362,245	2,200,344	2,066,311
Total Net Position	\$8,683,998	\$8,910,558	\$8,871,117

As mentioned previously, net position of governmental activities decreased \$226,560 or 2.5 percent during 2014, and increased \$39,441 or 0.4 percent during 2013. The primary reasons contributing to the decrease in cash balances are as follows:

- Budget reductions implemented in 2010, due to cutbacks in PLF funding, resulted in expense reductions in 2012, but price increases in 2013 and 2014 offset some of the earlier savings.
- In 2014, the Library saw \$362,552 less in property tax revenues and PLF revenues than in 2012. This was primarily due to reductions in the assessed valuation of the tax base in the Lorain City School District.

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2014 and December 31, 2013
Unaudited

Table 2 reflects the changes in net position on a cash basis in 2014 and 2013 and 2012 for governmental activities.

(Table 2)
Changes in Net Position

	Governmental Activities		
	2014	2013	2012
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$132,643	\$149,107	\$141,119
Operating Grants and Contributions	114,265	80,818	97,281
Total Program Receipts	<u>246,908</u>	<u>229,925</u>	<u>238,400</u>
General Receipts:			
Property Taxes Levied for General Purposes	3,894,572	3,851,245	4,175,641
Grants and Entitlements Not Restricted to Specific Programs	4,233,843	4,304,254	4,315,326
Unrestricted Gifts and Contributions	21	869	493
Interest	18,727	13,777	19,890
Miscellaneous	66,786	48,405	12,494
Total General Receipts	<u>8,213,949</u>	<u>8,218,550</u>	<u>8,523,844</u>
Total Receipts	<u>8,460,857</u>	<u>8,448,475</u>	<u>8,762,244</u>
Disbursements:			
Library Services:			
Public Service and Programs	6,392,406	6,395,638	6,320,734
Collection Development and Processing	1,354,811	1,178,334	1,246,134
Support Services:			
Facilities Operation and Maintenance	470,368	423,449	389,576
Capital Outlay	469,832	411,613	239,226
Total Disbursements	<u>8,687,417</u>	<u>8,409,034</u>	<u>8,195,670</u>
Change in Net Position	(226,560)	39,441	566,574
Net Position, January 1	<u>8,910,558</u>	<u>8,871,117</u>	<u>8,304,543</u>
Net Position, December 31	<u>\$8,683,998</u>	<u>\$8,910,558</u>	<u>\$8,871,117</u>

Program receipts in 2014, 2013 and 2012 represent only 2.9, 2.7 and 2.7 percent respectively, of total receipts and are primarily comprised of patron fines and fees, refunds and contributions, gifts and donations.

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2014 and December 31, 2013
Unaudited

General receipts in 2014, 2013 and 2012, represent 97.1, 97.3 and 97.3 percent, respectively, of the Library's total receipts, and of this amount, 47.4, 46.9 and 49.0 percent were property taxes in 2014, 2013 and 2012. State grants and entitlements made up 51.5, 52.4 and 50.6 percent respectively of the Library's general receipts in 2014, 2013 and 2012. 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 10 for 2014 and page 20 for 2013, 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, and Capital Outlay which account for 73.6 percent, 15.6 percent, 5.4 percent and 5.4 percent of all Library disbursements respectively, in 2014, and 76.1 percent, 14.0 percent, 5.0 percent and 4.9 percent of all Library disbursements respectively, in 2013. 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 of services is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	2012	2014	2013	2012
Library Services:						
Public Service and Programs	(\$6,392,406)	(\$6,395,638)	(\$6,320,734)	(\$6,145,498)	(\$6,165,713)	(\$6,138,968)
Collection Development and Processing	(1,354,811)	(1,178,334)	(1,246,134)	(1,354,811)	(1,178,334)	(1,189,500)
Support Services:						
Facilities Operator and Maintenance	(470,368)	(423,449)	(389,576)	(470,368)	(423,449)	(389,576)
Capital Outlay	(469,832)	(411,613)	(239,226)	(469,832)	(411,613)	(239,226)
Total Governmental Activities	<u>(\$8,687,417)</u>	<u>(\$8,409,034)</u>	<u>(\$8,195,670)</u>	<u>(\$8,440,509)</u>	<u>(\$8,179,109)</u>	<u>(\$7,957,270)</u>

The dependence upon local property taxes and PLF receipts is apparent as 93.6 percent of governmental activities in 2014, 97.0 percent of governmental activities in 2013, and 103.6 percent of governmental activities in 2012 were supported through these general receipts.

The Library's Funds

Total governmental funds had receipts of \$8,460,857 and disbursements of \$8,687,417 in 2014, and had receipts of \$8,448,477 and disbursements of \$8,409,036 in 2013. The fund balance of the General Fund increased \$497,909 in 2014 after transfers, as the result of the concern of future funding and the Library being conservative in its spending. The fund balance of the General Fund increased \$315,003 in 2013.

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
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Unaudited

General Fund receipts were less than disbursements by (\$73,565) in 2014, and greater than disbursements by \$315,003 in 2013 indicating that the budget reduction efforts in 2010 had a positive effect on operations in 2013. 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 2014 and 2013, the Library's General Fund experienced a deficit and an insignificant surplus resulting from reductions in some of the Library's tax base.

Final disbursements for 2014 were budgeted at \$10,202,369 while actual disbursements were \$8,606,508. Final disbursements for 2013 were budgeted at \$9,642,575 while actual disbursements were \$8,378,593. Budget reductions in 2010 were implemented to reduce the variance of disbursements over receipts. The Library has kept spending within budgeted amounts as demonstrated by the positive variances.

Capital Assets

Capital Assets

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

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 2015.

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.

Lorain Public Library System
Lorain County
Statement of Net Position - Cash Basis
December 31, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,683,998
	\$8,683,998
<i>Total Assets</i>	<i>\$8,683,998</i>
Net Position	
Restricted for:	
Capital Projects	\$ 1,574,965
Permanent Fund Purpose	700
Other Purposes	4,746,088
Unrestricted	2,362,245
<i>Total Net Position</i>	<i>\$8,683,998</i>

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, 2014

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Library Services:				
Public Service and Programs	\$6,392,406	\$132,643	\$114,265	(\$6,145,498)
Collection Development and Processing	1,354,811			(1,354,811)
Support Services:				
Facilities Operation and Maintenance	470,368			(470,368)
Capital Outlay	469,832			(469,832)
<i>Total Governmental Activities</i>	<u>\$8,687,417</u>	<u>\$132,643</u>	<u>\$114,265</u>	<u>(8,440,509)</u>
		General Receipts		
				3,894,572
				4,233,843
				21
				18,727
				<u>66,786</u>
				<i>Total General Receipts</i>
				8,213,949
				(226,560)
				<i>Net Position, Beginning of Year</i>
				<u>8,910,558</u>
				<i>Net Position, End of Year</i>
				<u>\$8,683,998</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, 2014

	<u>General Fund</u>	<u>Building & Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,480,901	\$1,130,891	\$1,072,206	\$8,683,998
<i>Total Assets</i>	<u>\$6,480,901</u>	<u>\$1,130,891</u>	<u>\$1,072,206</u>	<u>\$8,683,998</u>
Fund Balances				
Nonspendable			\$700	\$700
Restricted			677,856	677,856
Committed	\$ 258,424			258,424
Assigned	3,860,232	\$ 1,130,891	393,650	5,384,773
Unassigned	2,362,245			2,362,245
<i>Total Fund Balances</i>	<u>\$6,480,901</u>	<u>\$1,130,891</u>	<u>\$1,072,206</u>	<u>\$8,683,998</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 - Cash Basis
December 31, 2014

Total Governmental Fund Balances	<u>\$8,683,998</u>
<i>Net Position of Governmental Activities</i>	<u>\$8,683,998</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, 2014

	<u>General Fund</u>	<u>Building & Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property and Other Local Taxes	\$3,894,572			\$3,894,572
Intergovernmental	4,233,843			4,233,843
Patron Fines and Fees	132,643			132,643
Contributions, Gifts and Donations	1,067		113,219	114,286
Earnings on Investments	15,084	2,560	1,083	18,727
Miscellaneous	66,786			66,786
<i>Total Receipts</i>	<u>8,343,995</u>	<u>2,560</u>	<u>114,302</u>	<u>8,460,857</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	6,332,871		59,535	6,392,406
Collection Development and Processing	1,324,922		29,889	1,354,811
Support Services:				
Facilities Operation and Maintenance	470,368			470,368
Capital Outlay	289,399	132,077	48,356	469,832
<i>Total Disbursements</i>	<u>8,417,560</u>	<u>132,077</u>	<u>137,780</u>	<u>8,687,417</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(73,565)</u>	<u>(129,517)</u>	<u>(23,478)</u>	<u>(226,560)</u>
Other Financing Sources (Uses)				
Transfers In	571,474		5,000	576,474
Transfers Out		(571,474)	(5,000)	(576,474)
<i>Total Other Financing Sources (Uses)</i>	<u>571,474</u>	<u>(571,474)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	497,909	(700,991)	(23,478)	(226,560)
<i>Fund Balances, Beginning of Year</i>	<u>5,982,992</u>	<u>1,831,882</u>	<u>1,095,684</u>	<u>8,910,558</u>
<i>Fund Balances, End of Year</i>	<u>\$6,480,901</u>	<u>\$1,130,891</u>	<u>\$1,072,206</u>	<u>\$8,683,998</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, 2014*

Net Change in Fund Balances - Total Governmental Funds (\$226,560)

Change in Net Position of Governmental Activities (\$226,560)

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, 2014

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 4,002,521	\$ 4,044,610	\$ 3,894,572	(\$150,038)
Intergovernmental	4,177,272	4,163,897	4,233,843	69,946
Patron Fines and Fees	135,000	135,000	132,643	(2,357)
Contributions, Gifts and Donations	1,000	1,000	1,067	67
Earnings on Investments	2,435	2,435	15,084	12,649
Miscellaneous	6,000	6,000	66,785	60,785
<i>Total Receipts</i>	<u>8,324,228</u>	<u>8,352,942</u>	<u>8,343,994</u>	<u>(8,948)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	7,367,974	7,398,342	6,395,272	1,003,070
Collection Development and Processing	1,555,831	1,730,503	1,376,137	354,366
Support Services:				
Facilities Operation and Maintenance	583,785	612,032	519,636	92,396
Capital Outlay	455,004	461,492	315,463	146,029
<i>Total Disbursements</i>	<u>9,962,594</u>	<u>10,202,369</u>	<u>8,606,508</u>	<u>1,595,861</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,638,366)</u>	<u>(1,849,427)</u>	<u>(262,514)</u>	<u>1,586,913</u>
Other Financing Sources (Uses)				
Transfers In	571,474	571,474	571,474	0
Transfers Out				0
<i>Total Other Financing Sources (Uses)</i>	<u>571,474</u>	<u>571,474</u>	<u>571,474</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,066,892)	(1,277,953)	308,960	1,586,913
<i>Unencumbered Fund Balance Beginning of Year</i>	5,651,004	5,651,004	5,651,004	0
Prior Year Encumbrances Appropriated	331,989	331,989	331,989	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$4,916,101</u>	<u>\$4,705,040</u>	<u>\$6,291,953</u>	<u>\$1,586,913</u>

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2014

	Employee HRA
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,030</u>
<i>Total Assets</i>	<u><u>\$4,030</u></u>
Net Position	
Expendable	
Held on behalf of Employees in Wellness and Healthcare	<u>\$4,030</u>
<i>Total Net Position</i>	<u><u>\$4,030</u></u>

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2014

	Employee HRA
Additions	
Contributions	\$8,479
<i>Total Additions</i>	\$8,479
Deductions	
HRA Payments to Wellness Deductibles	\$4,449
<i>Total Deductions</i>	\$4,449
<i>Change in Net Position</i>	\$4,030
<i>Net Position Beginning of Year</i>	0
<i>Net Position End of Year</i>	\$4,030

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, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,910,558
	\$8,910,558
<i>Total Assets</i>	<i>\$8,910,558</i>
 Net Position	
Restricted for:	
Capital Projects	2,317,808
Permanent Fund Purpose	700
Other Purposes	4,391,706
Unrestricted	2,200,344
<i>Total Net Position</i>	<i>\$8,910,558</i>

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, 2013

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$6,395,638	\$149,107	\$80,818	(\$6,165,713)
Collection Development and Processing	1,178,334			(1,178,334)
Support Services:				
Facilities Operation and Maintenance	423,449			(423,449)
Capital Outlay	411,613			(411,613)
<i>Total Governmental Activities</i>	<u>\$8,409,034</u>	<u>\$149,107</u>	<u>\$80,818</u>	(8,179,109)
		General Receipts		
		Property Taxes Levied for General Purposes		3,851,245
		Grants and Entitlements Not Restricted to Specific Programs		4,304,254
		Unrestricted Gifts and Contributions		869
		Interest		13,777
		Miscellaneous		48,405
		<i>Total General Receipts</i>		8,218,550
		Change in Net Position		39,441
		<i>Net Position, Beginning of Year</i>		8,871,117
		<i>Net Position, End of Year</i>		<u>\$8,910,558</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, 2013

	<u>General Fund</u>	<u>Building & Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,982,992	\$1,831,882	\$1,095,684	\$8,910,558
<i>Total Assets</i>	<u>\$5,982,992</u>	<u>\$1,831,882</u>	<u>\$1,095,684</u>	<u>\$8,910,558</u>
Fund Balances				
Nonspendable			\$700	\$700
Restricted			702,198	702,198
Committed	117,279			117,279
Assigned	3,665,369	1,831,882	392,786	5,890,037
Unassigned	2,200,344			2,200,344
<i>Total Fund Balances</i>	<u>\$5,982,992</u>	<u>\$1,831,882</u>	<u>\$1,095,684</u>	<u>\$8,910,558</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 - Cash Basis
December 31, 2013

Total Governmental Fund Balances	<u>\$8,910,558</u>
<i>Net Position of Governmental Activities</i>	<u>\$8,910,558</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, 2013

	<u>General Fund</u>	<u>Building & Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property and Other Local Taxes	\$3,851,245			\$3,851,245
Intergovernmental	4,304,255			4,304,255
Patron Fines and Fees	149,107			149,107
Contributions, Gifts and Donations	6,269		75,418	81,687
Earnings on Investments	2,328	11,008	442	13,778
Miscellaneous	48,405			48,405
<i>Total Receipts</i>	<u>8,361,609</u>	<u>11,008</u>	<u>75,860</u>	<u>8,448,477</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	6,318,422		77,217	6,395,639
Collection Development and Processing	1,119,236		59,098	1,178,334
Support Services:				
Facilities Operation and Maintenance	423,450			423,450
Capital Outlay	185,498	226,115		411,613
<i>Total Disbursements</i>	<u>8,046,606</u>	<u>226,115</u>	<u>136,315</u>	<u>8,409,036</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>315,003</u>	<u>(215,107)</u>	<u>(60,455)</u>	<u>39,441</u>
<i>Net Change in Fund Balances</i>	315,003	(215,107)	(60,455)	39,441
<i>Fund Balances, Beginning of Year</i>	<u>5,667,989</u>	<u>2,046,989</u>	<u>1,156,139</u>	<u>8,871,117</u>
<i>Fund Balances, End of Year</i>	<u>\$5,982,992</u>	<u>\$1,831,882</u>	<u>\$1,095,684</u>	<u>\$8,910,558</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, 2013*

Net Change in Fund Balances - Total Governmental Funds	<u>\$39,441</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$39,441</u></u>
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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, 2013

	<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	\$ 4,074,617	\$ 4,074,617	\$ 3,851,245	(\$223,372)
Intergovernmental	4,189,236	4,149,141	4,304,255	155,114
Patron Fines and Fees	127,000	127,000	149,107	22,107
Contributions, Gifts and Donations	1,000	1,000	6,269	5,269
Earnings on Investments	2,830	2,830	2,328	(502)
Miscellaneous	6,600	6,600	48,405	41,805
<i>Total Receipts</i>	<u>8,401,283</u>	<u>8,361,188</u>	<u>8,361,609</u>	<u>421</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	7,246,673	7,234,909	6,394,313	840,596
Collection Development and Processing	1,434,491	1,461,956	1,293,908	168,048
Support Services:				
Facilities Operation and Maintenance	551,101	573,814	456,635	117,179
Capital Outlay	356,771	371,896	233,737	138,159
<i>Total Disbursements</i>	<u>9,589,036</u>	<u>9,642,575</u>	<u>8,378,593</u>	<u>1,263,982</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,187,753)</u>	<u>(1,281,387)</u>	<u>(16,984)</u>	<u>1,264,403</u>
<i>Net Change in Fund Balance</i>	(1,187,753)	(1,281,387)	(16,984)	1,264,403
<i>Unencumbered Fund Balance Beginning of Year</i>	5,497,575	5,497,575	5,497,575	0
Prior Year Encumbrances Appropriated	170,413	170,413	170,413	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$4,480,235</u>	<u>\$4,386,601</u>	<u>\$5,651,004</u>	<u>\$1,264,403</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, 2014 and December 31, 2013

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. 61 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, 2014 and December 31, 2013

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 the ***Basis of Accounting*** note, 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, except for fiduciary funds. 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 divided into two categories, governmental and fiduciary.

**Lorain Public Library System
Lorain County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and December 31, 2013*

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 and reports resources committed 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.

Fiduciary Funds Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Library's agency fund account for employees' Health Reimbursement Arrangements is used to hold employee's payroll deductions that are then applied exclusively to reimburse employee's share of personal deductibles or directly pay the Library's share of deductibles under the Library's healthcare insurance plan.

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, (except agency 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.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and December 31, 2013

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.

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 2014 and 2013, investments were limited to money market funds and STAR Ohio. The money market and STAR Ohio accounts were reported at the bank balance value at year-end.

The Library's money market fund investments are recorded at amounts reported by Lorain National Bank and Buckeye Community Bank on December 31, 2014 and December 31, 2013.

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 Rule 2a7 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, 2014 and December 31, 2013.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2014 amounted to \$15,084 and \$2,328 in 2013.

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 \$6,321,753 of the Library's funds at December 31, 2014, and \$6,710,214 of the Library's funds at December 31, 2013 which have had restrictions imposed by contributors, grantors or the Board of Library Trustees.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and December 31, 2013

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.

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.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and December 31, 2013

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.

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

For the years 2014 and 2013, the Library has implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 66, "Technical Corrections-2012: An Amendment of GASB Statements No. 10 and No. 62", GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and December 31, 2013

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Library.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Library.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by government about combinations arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Library.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Library.

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 \$188,948 for the general fund at December 31, 2014, and \$331,987 at December 31, 2013.

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.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and December 31, 2013

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.
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.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and December 31, 2013

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 2014, \$4,458,589 of the Library's bank balance of \$4,958,589 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 2013, \$4,682,349 of the Library's bank balance of \$5,182,349 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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

Investments

As of December 31, 2014 and December 31, 2013 the Library had the following investments:

	Carrying Value	Maturity
December 31, 2014		
STAR Ohio	\$3,728,589	Less Than One Year
	Carrying Value	Maturity
December 31, 2013		
STAR Ohio	\$3,727,359	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 AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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."

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and December 31, 2013

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 2014 and 2013 for real and public utility property taxes represents collections of the 2013 and 2012 taxes.

2014 and 2013 real property taxes are levied after October 1, 2014 and 2013 on the assessed values as of January 1, 2014 and January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015, and 2013 real property taxes are collected in and intended to finance 2014.

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. 2014 public utility property taxes which became a lien on December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes. 2013 public utility taxes which became a lien on December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2014, was \$1.65 per \$1,000 of assessed value. The assessed values of real and public utility tangible property upon which 2014 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$1,905,317,530
Other	400,924,400
Public Utility Property	<u>48,713,218</u>
Total	<u>\$2,354,955,148</u>

The full tax rate for all Library operations for the year ended December 31, 2013, was \$1.66 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2013 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$1,880,347,080
Other	397,708,690
Public Utility Property	<u>45,316,910</u>
Total	<u>\$2,323,372,680</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.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and December 31, 2013

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 2014, the Library contracted with The Ohio Plan for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
The Ohio Plan	Commercial Property	\$50,658,615
	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

During 2013, the Library contracted with The Ohio Plan for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
The Ohio Plan	Commercial Property	\$49,183,120
	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. Due to a recurrent flooding situation at the Columbia Branch Library, the insurance flood deductible was raised from \$25,000 per occurrence to \$100,000 per occurrence. The Library has been working with the Columbia Township Trustees and the County Storm Water District to remediate the flooding issue.

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.

**Lorain Public Library System
Lorain County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and December 31, 2013*

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, 2014 and December 31, 2013, 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 2014 and 2013, member and employer contribution rates were consistent across all three plans.

The Library's 2014 and 2013 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 2 percent during calendar year 2014, and 1 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 2 percent during Calendar year 2014, and 1 percent during calendar year 2013. Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$522,789, \$528,126, and \$532,342, respectively; 100.00 percent has been contributed for 2014, 2013 and 2012. There were no contributions to the Member-Directed Plan for 2014 or 2013.

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, effective January 1, 2015, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 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.

**Lorain Public Library System
Lorain County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and December 31, 2013*

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 2014 and 2013, 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 14.0 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 2 percent from January 1 through December 31, 2014, and 1 percent from January 1 through December 31, 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 2 percent from January 1 through December 31, 2014, and 1 percent from January 1 through December 31, 2013.

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, 2014, 2013, and 2012 were \$10,456, \$5,281, and \$152,090, respectively; 100.00 percent has been contributed for 2014, 2013, and 2012.

Note 10 – Interfund Transfers

In 2014, the Building & Repair Fund transferred \$571,474 to the Library's General Fund to meet internal fund balance requirements needed for Library working capital.

Note 11 - 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:

Lorain Public Library System
Lorain County
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For the Years Ended December 31, 2014 and December 31, 2013

2014

Fund Balances	General Fund	Building & Repair Fund	Other Governmental Funds	Total
Nonspendable				
Permanent			700	700
<i>Total Nonspendable</i>	0	0	700	700
Restricted for				
Summer Reading			5,460	5,460
Fall Family Read Aloud			5,332	5,332
Project Lite			6,251	6,251
Book Memorial			260,347	260,347
LPLS Foundation			42	42
Hageman			318,562	318,562
Stocker			29,750	29,750
Kurtz Temperance			1,687	1,687
Domonkas Building			50,425	50,425
<i>Total Restricted</i>	0	0	677,856	677,856
Committed to				
Schill Snow Removal	12,640			12,640
Schill Landscapping	18,112			18,112
Bodnar Printing	63,645			63,645
Emerge Webhosting	24,000			24,000
Kuno Creative	14,000			14,000
Whitespace Marketing	50,000			50,000
Whitespace Media Purchase	76,027			76,027
<i>Total Committed</i>	258,424	0	0	258,424
Assigned to				
Encumbrances	56,738			56,738
North Ridgeville Branch	1,802,611			1,802,611
Avon Branch	557,725			557,725
Columbia Branch	242,476			242,476
Domonkas Branch	193,150			193,150
Lorain Libraries	1,007,532			1,007,532
Building & Repair		1,130,891		1,130,891
Capital Improvements			393,650	393,650
<i>Total Assigned</i>	3,860,232	1,130,891	393,650	5,384,773
Unassigned (Deficit)	2,362,245	0	0	2,362,245
<i>Total Fund Balances</i>	<u>\$6,480,901</u>	<u>\$1,130,891</u>	<u>\$1,072,206</u>	<u>\$8,683,998</u>

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and December 31, 2013

2013

Fund Balances	General Fund	Building & Repair Fund	Other Governmental Funds	Total
Nonspendable				
Permanent			700	700
<i>Total Nonspendable</i>	0	0	700	700
Restricted for				
Summer Reading			2,981	2,981
Fall Family Read Aloud			5,331	5,331
Project Lite			6,251	6,251
Book Memorial			238,946	238,946
LPLS Foundation			42	42
Hageman			319,081	319,081
Stocker			34,739	34,739
Kurtz Temperance			1,686	1,686
Domonkas Building			93,141	93,141
<i>Total Restricted</i>	0	0	702,198	702,198
Committed to				
Whitespace Consulting	3,750			3,750
Whitespace Media	6,408			6,408
Bodnar Printing	71,121			71,121
Emerge Webhosting	24,000			24,000
Kuno Creative	12,000			12,000
<i>Total Committed</i>	117,279	0	0	117,279
Assigned to				
Encumbrances	86,266	5,000		91,266
North Ridgeville Branch	1,544,040			1,544,040
Avon Branch	619,254			619,254
Columbia Branch	267,466			267,466
Domonkas Branch	217,966			217,966
Main Library	930,377			930,377
Building & Repair		1,826,882		1,826,882
Capital Improvements			392,786	392,786
<i>Total Assigned</i>	3,665,369	1,831,882	392,786	5,890,037
Unassigned (Deficit)	2,200,344	0	0	2,200,344
<i>Total Fund Balances</i>	\$5,982,992	\$1,831,882	\$1,095,684	\$8,910,558

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and December 31, 2013

Note 12 – 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 13 – Subsequent Events

On January 15, 2015 the Lorain County Budget Commission notified the Library that 2015 property tax estimations were being reduced by \$10,121 for the Lorain City School District, and \$196 for the City of Sheffield Lake. Property Tax estimations were increased by \$5,718 for the City of Avon, \$23,383 for the City of North Ridgeville and \$6,483 for Columbia Township.

In June, 2015, the Ohio General Assembly passed the State biennial budget with an increase of the PLF from 1.66 percent of the General Revenue Fund to 1.70 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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 4, 2015, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

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 Library'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 Library'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.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 4, 2015



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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 3, 2015**