



**Auditor of State
Betty Montgomery**

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-wide Financial Statements - December 31, 2004:	
Statement of Net Assets – Modified Cash Basis – December 31, 2004	11
Statement of Activities – Modified Cash Basis – December 31, 2004.....	12
Fund Financial Statements – December 31, 2004:	
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds – December 31, 2004.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – December 31, 2004	14
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances – Governmental Funds – December 31, 2004	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities December 31, 2004	16
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) - General Fund – December 31, 2004.....	17
Statement of Fund Net Assets – Modified Cash Basis - Proprietary Fund – December 31, 2004	18
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets – Modified Cash Basis – Proprietary Fund – December 31, 2004	19
Notes to the Basic Financial Statements	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	29

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library, Lorain County, Ohio (the Library), as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lorain Public Library, Lorain County, Ohio, as of December 31, 2004, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 1 describes.

For the year ended December 31, 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2005, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

August 25, 2005

Lorain Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

This discussion and analysis of the Lorain Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2004, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2004 are as follows:

Net assets of governmental activities increased \$537,536, or 9.6 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Building and Repair Fund due to reduced spending in 2004 as the projects have been completed along with increases in transfers from the General Fund.

The Library's general receipts are primarily property taxes and Library and Local Government Support Fund ("LLGSF"). These receipts represent 95.12 percent of the total cash received for governmental activities during the year. Property taxes and LLGSF tax receipts for 2004 changed very little compared to 2003 due to stable tax rates and collections and due to a freeze of LLGSF by the Ohio Government.

The Rental Fund, the Library's lone business activity, had a loss of \$4,706. Although rentals were discontinued in 2002, expenditures were still made to maintain the underlying property. The property is currently for sale.

The net change in General Fund balance was \$122,627, an increase of 4.19 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 modified cash basis of accounting.

Report Components

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

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

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

Lorain Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2004
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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include patron fines and fees, services to other libraries, meeting room rentals 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 or business-type activity draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well, such as the Library's property tax base, the condition of the Library's capital assets, 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 LLGSF.

In the statement of net assets and the statement of activities, we divide the Library into two types of activities:

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

Business-type activity. The Library has one business-type activity, the provision of property rentals. Business-type activities were financed by a fee charged to the customers receiving the service.

Lorain Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

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 proprietary.

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 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 major governmental funds are the General Fund, the Building & Repair Fund, and the Capital Improvement 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.

Proprietary Funds –When the Library charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Library has one enterprise fund, the rental fund which is used to account for expenditure transactions related to property the Library has previously rented.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2004 on a modified cash basis. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Net Assets (Table 1)

	Governmental Activities 2004	Business - Type Activities 2004	Total 2004
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,877,192	\$74,974	\$3,952,166
Investments	2,258,062		2,258,062
<i>Total Assets</i>	<u>\$6,135,254</u>	<u>\$74,974</u>	<u>\$6,210,228</u>
Net Assets			
Restricted for:			
Capital Projects	\$2,113,170		\$2,113,170
Debt Service	395,975		395,975
Permanent Fund Purpose			
Nonexpendable	2,032		2,032
Other Purposes	577,603		577,603
Unrestricted	3,046,474	74,974	3,121,448
<i>Total Net Assets</i>	<u>\$6,135,254</u>	<u>\$74,974</u>	<u>\$6,210,228</u>

Lorain Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 2 reflects the changes in net assets in 2004. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Changes in Net Assets (Table 2)

	Governmental Activities 2004	Business Type Activities 2004	Total 2004
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$158,939		\$158,939
Operating Grants and Contributions	62,616		62,616
Capital Grants and Contributions	55,000		55,000
Total Program Receipts	<u>276,555</u>	<u>0</u>	<u>276,555</u>
General Receipts:			
Property and Other Local Taxes	2,725,609		2,725,609
Grants and Entitlements Not Restricted to Specific Programs	4,949,243		4,949,243
Unrestricted Gifts and Contributions	32,305		32,305
Interest	81,558	978	82,536
Miscellaneous	5,831		5,831
Total General Receipts	<u>7,794,546</u>	<u>978</u>	<u>7,795,524</u>
Total Receipts	<u>8,071,101</u>	<u>978</u>	<u>8,072,079</u>
Disbursements:			
Library Services:			
Public Service and Programs	3,423,418		3,423,418
Collection Development and Processing	1,764,837		1,764,837
Support Services:			
Facilities Operation and Maintenance	644,470	4,884	649,354
Information Services	200,381		200,381
Business Administration	721,102	800	721,902
Capital Outlay	302,412		302,412
Debt Service:			
Principal Retirement	365,000		365,000
Interest and Fiscal Charges	111,945		111,945
Total Disbursements	<u>7,533,565</u>	<u>5,684</u>	<u>7,539,249</u>
Increase (Decrease) in Net Assets	537,536	(4,706)	532,830
Net Assets, January 1, 2004	<u>5,597,718</u>	<u>79,680</u>	<u>5,677,398</u>
Net Assets, December 31, 2004	<u>\$6,135,254</u>	<u>\$74,974</u>	<u>\$6,210,228</u>

Program receipts represent only 3.43 percent of total receipts and are primarily comprised of patron fines and fees, and contributions, gifts and donations.

Lorain Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

General receipts represent 96.57 percent of the Library's total receipts, and of this amount, 34.96 percent are local taxes. State grants and entitlements make up the balance of the Library's general receipts (63.49 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, and Business Administration which account for 45.45 percent, 23.43 percent, 8.56 percent, and 9.58 percent, respectively. The next three columns of the Statement entitled Program 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 Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by 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.

Governmental Activities (Table 3)

	Total Cost Of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Library Services:		
Public Service and Programs	(\$3,423,418)	(\$3,210,753)
Collection Development and Processing	(1,764,837)	(1,755,947)
Support Services:		
Facilities Operation and Maintenance	(644,470)	(644,470)
Information Services	(200,381)	(200,381)
Business Administration	(721,102)	(721,102)
Capital Outlay	(302,412)	(247,412)
Debt Service:		
Principal Retirement	(365,000)	(365,000)
Interest and Fiscal Charges	(111,945)	(111,945)
 <i>Total Governmental Activities</i>	 <u><u>(\$7,533,565)</u></u>	 <u><u>(\$7,257,010)</u></u>

The dependence upon property taxes and LLGSF receipts is apparent as over 96.3 percent of governmental activities are supported through these general receipts.

Lorain Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Business-type Activities

The rental fund is used to account for expenditure transactions related to property the Library had previously rented. The final piece of property is currently for sale, and it is expected that the fund will be reclassified to the General Fund in 2005.

The Government's Funds

Total governmental funds had receipts of \$8,069,057 and disbursements of \$7,533,565. The fund balance of the General Fund increased \$122,627 as the result of the concern of future funding and the Library being conservative in its spending. Due to increased costs for salaries and benefits, utilities, building maintenance, and library materials, the Library will have to raise its millage in some of the communities it serves because it is not achieving anticipated growth in LLGSF receipts. The Library has made significant reductions in disbursements, and any further reductions will require that the Library reduce service hours available to the public in some of the communities it serves.

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 fiscal year 2004, the Library amended its general fund budget numerous times, none significant. Final disbursements and transfers were budgeted at \$9,646,745 while actual disbursements and transfers were \$7,756,670. Although receipts failed to live up to expectations, appropriations were not reduced. The Library implemented a spending freeze on supplies and contractual services in October 2004 in order to allow for a carryover into the next year. The result is an increase in fund balance of \$122,627 for 2004

Debt Administration

At December 31, 2004, the Library had \$2,890,000 of outstanding general obligation notes issued for constructing a branch library in the City of North Ridgeville, Ohio; improving and construction an addition to the branch library located in the Township of Columbia, Ohio; and improving a renovating existing library facilities. For further information regarding the Library's debt, refer to Note 6 to the 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 LLGSF funding. Our newly prepared financial forecast predicts a deficit for 2006; therefore, the Board of Trustees and the administration are developing strategies to delay the deficit. We are reviewing our sources of revenue and have determined that increases are unlikely. We are now reviewing the disbursement history of the Library. All departments are being asked to reduce their spending.

Lorain Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

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 Lisa M. Crescimano, Clerk-Treasurer, Lorain Public Library System, 351 Sixth Street, Lorain, Ohio 44052.

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Lorain Public Library, Lorain County
Statement of Net Assets - Modified Cash Basis
 December 31, 2004

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,877,192	\$74,974	\$3,952,166
Investments	2,258,062		2,258,062
<i>Total Assets</i>	<u>\$6,135,254</u>	<u>\$74,974</u>	<u>\$6,210,228</u>
Net Assets			
Restricted for:			
Capital Projects	\$2,113,170		\$2,113,170
Debt Service	395,975		395,975
Permanent Fund Purpose			
Nonexpendable	2,032		2,032
Other Purposes	577,603		577,603
Unrestricted	3,046,474	74,974	3,121,448
<i>Total Net Assets</i>	<u>\$6,135,254</u>	<u>\$74,974</u>	<u>\$6,210,228</u>

See accompanying notes to the basic financial statements

Lorain Public Library, Lorain County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities							
Library Services:							
Public Service and Programs	3,423,418	158,939	53,726		(3,210,753)		(3,210,753)
Collection Development and Processing	1,764,837		8,890		(1,755,947)		(1,755,947)
Support Services:							
Facilities Operation and Maintenance	644,470				(644,470)		(644,470)
Information Services	200,381				(200,381)		(200,381)
Business Administration	721,102				(721,102)		(721,102)
Capital Outlay	302,412			55,000	(247,412)		(247,412)
Debt Service:							0
Principal Retirement	365,000				(365,000)		(365,000)
Interest and Fiscal Charges	111,945				(111,945)		(111,945)
<i>Total Governmental Activities</i>	<u>\$7,533,565</u>	<u>\$158,939</u>	<u>\$62,616</u>	<u>\$55,000</u>	<u>(\$7,257,010)</u>		<u>(\$7,257,010)</u>
Business Type Activities							
Support Services:							
Facilities Operation and Maintenance	\$4,884					(\$4,884)	(\$4,884)
Business Administration	800					(800)	(800)
<i>Total Business-Type Activities</i>	<u>5,684</u>					<u>(5,684)</u>	<u>(5,684)</u>
<i>Total Primary Government</i>	<u>\$7,539,249</u>	<u>\$158,939</u>	<u>\$62,616</u>	<u>\$55,000</u>	<u>(\$7,257,010)</u>	<u>(\$5,684)</u>	<u>(\$7,262,694)</u>
General Receipts							
Property Taxes Levied for General Purposes					2,725,609		2,725,609
Unrestricted Gifts and Contributions					32,305		32,305
Grants and Entitlements not Restricted to Specific Programs					4,949,243		4,949,243
Interest					81,558	978	82,536
Miscellaneous					5,831		5,831
Total General Receipts					<u>7,794,546</u>	<u>978</u>	<u>7,795,524</u>
Change in Net Assets					537,536	(4,706)	532,830
<i>Net Assets Beginning of Year</i>					<u>5,597,718</u>	<u>79,680</u>	<u>5,677,398</u>
<i>Net Assets End of Year</i>					<u>\$6,135,254</u>	<u>\$74,974</u>	<u>6,210,228</u>

See accompanying notes to the basic financial statements

Lorain Public Library, Lorain County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Building & Repair Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,458,475	\$709,649	\$229,918	\$479,150	\$3,877,192
Investments	588,000	674,919	484,000	511,143	2,258,062
<i>Total Assets</i>	<u>\$3,046,475</u>	<u>\$1,384,568</u>	<u>\$713,918</u>	<u>\$990,293</u>	<u>\$6,135,254</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$425,829	\$13,264	\$0	\$19,800	\$458,893
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	2,620,646				2,620,646
Special Revenue Funds				572,349	572,349
Debt Service Fund				395,975	395,975
Capital Projects Funds		1,371,304	713,918	137	2,085,359
Permanent Funds				2,032	2,032
<i>Total Fund Balances</i>	<u>\$3,046,475</u>	<u>\$1,384,568</u>	<u>\$713,918</u>	<u>\$990,293</u>	<u>\$6,135,254</u>

See accompanying notes to the basic financial statements

Lorain Public Library, Lorain County
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2004*

Total Governmental Fund Balances	<u>\$6,135,254</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$6,135,254</u></u>

See accompanying notes to the basic financial statements

Lorain Public Library, Lorain County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Building & Repair Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$2,725,609				\$2,725,609
Intergovernmental	4,949,243				4,949,243
Patron Fines and Fees	138,275				138,275
Services Provided to Other Entities	18,000				18,000
Contributions, Gifts and Donations	234			149,661	149,895
Earnings on Investments	39,441	17,442	7,662	17,039	81,584
Miscellaneous	6,451				6,451
<i>Total Receipts</i>	<u>7,877,253</u>	<u>17,442</u>	<u>7,662</u>	<u>166,700</u>	<u>8,069,057</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	3,375,858	717	0	46,843	3,423,418
Collection Development and Processing	1,727,496	11,670	0	25,672	1,764,838
Support Services:					
Facilities Operation and Maintenance	628,004	15,935	0	530	644,469
Information Services	200,381	0	0	0	200,381
Business Administration	712,233	32	1,037	7,800	721,102
Capital Outlay	144,966	101,061	8,367	48,018	302,412
Debt Service:					
Principal Retirement				365,000	365,000
Interest and Fiscal Charges				111,945	111,945
<i>Total Disbursements</i>	<u>6,788,938</u>	<u>129,415</u>	<u>9,404</u>	<u>605,808</u>	<u>7,533,565</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,088,315</u>	<u>(111,973)</u>	<u>(1,742)</u>	<u>(439,108)</u>	<u>535,492</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	2,044				2,044
Transfers In		490,787	90,000	476,945	1,057,732
Transfers Out	(967,732)	(90,000)			(1,057,732)
<i>Total Other Financing Sources (Uses)</i>	<u>(965,688)</u>	<u>400,787</u>	<u>90,000</u>	<u>476,945</u>	<u>2,044</u>
<i>Net Change in Fund Balances</i>	122,627	288,814	88,258	37,837	537,536
<i>Fund Balances Beginning of Year</i>	<u>2,923,848</u>	<u>1,095,754</u>	<u>625,660</u>	<u>952,456</u>	<u>5,597,718</u>
<i>Fund Balances End of Year</i>	<u>\$3,046,475</u>	<u>\$1,384,568</u>	<u>\$713,918</u>	<u>\$990,293</u>	<u>\$6,135,254</u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds	<u>\$537,536</u>
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$537,536</u></u>
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See accompanying notes to the basic financial statements

Lorain Public Library, Lorain County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$2,731,374	\$2,731,374	\$2,725,609	(\$5,765)
Intergovernmental	4,872,702	4,872,702	4,949,243	76,541
Patron Fines and Fees	112,000	120,000	138,275	18,275
Services Provided to Other Entities	14,000	17,000	18,000	1,000
Contributions, Gifts and Donations	0	200	234	34
Earnings on Investments	25,000	45,695	39,441	(6,254)
Miscellaneous	956	3,956	6,451	2,495
<i>Total receipts</i>	<u>7,756,032</u>	<u>7,790,927</u>	<u>7,877,253</u>	<u>86,326</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	4,212,692	4,199,658	3,375,858	823,800
Collection Development and Processing	2,308,767	2,303,095	1,727,496	575,599
Support Services:				
Facilities Operation and Maintenance	745,018	758,317	628,004	130,313
Information Services	232,770	233,297	200,381	32,916
Business Administration	858,398	894,278	712,233	182,045
Capital Outlay	274,806	273,806	144,966	128,840
<i>Total Disbursements</i>	<u>8,632,451</u>	<u>8,662,451</u>	<u>6,788,938</u>	<u>1,873,513</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(876,419)</u>	<u>(871,524)</u>	<u>1,088,315</u>	<u>1,959,839</u>
Sale of Capital Assets	2,044	2,044	2,044	0
Transfers Out	(984,294)	(984,294)	(967,732)	16,562
<i>Total Other Financing Sources (Uses)</i>	<u>(982,250)</u>	<u>(982,250)</u>	<u>(965,688)</u>	<u>16,562</u>
<i>Net Change in Fund Balance</i>	(1,858,669)	(1,853,774)	122,627	1,976,401
<i>Fund Balance Beginning of Year</i>	<u>2,923,848</u>	<u>2,923,848</u>	<u>2,923,848</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,065,179</u>	<u>\$1,070,074</u>	<u>\$3,046,475</u>	<u>\$1,976,401</u>

See accompanying notes to the basic financial statements

Lorain Public Library, Lorain County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Fund
December 31, 2004

	Business-Type Activity
	Enterprise Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$74,974
<i>Total Assets</i>	\$74,974
Net Assets	
Unrestricted:	74,974
<i>Total Net Assets</i>	\$74,974

See accompanying notes to the basic financial statements

Lorain Public Library, Lorain County
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets-
Modified-Cash Basis
Proprietary Fund
For the Year Ended December 31, 2004

	Business-Type Activity
	Enterprise Fund
Operating revenues:	
Sales/charges for services	\$0
<i>Total Operating Revenues</i>	0
Operating expenses:	
Purchased Services	5,684
<i>Total Operating Disbursements</i>	5,684
<i>Operating income (loss)</i>	(5,684)
Nonoperating revenues:	
Interest revenue	978
<i>Total nonoperating revenues</i>	978
<i>Net Change in net assets</i>	(4,706)
<i>Net assets at beginning of year</i>	79,680
<i>Net assets at end of year</i>	\$74,974

See accompanying notes to the basic financial statements

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Lorain Public Library
Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 1 -- DESCRIPTION OF THE ENTITY

Lorain Public Library, Lorain County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Lorain City School District Board of Education. The Library provides the community with various educational and literary resources.

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 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.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that provide significant ongoing financial support to the Library. The Library has no component units.

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

A. *Basis of Accounting*

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting other than generally accepted accounting principles. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when an expenditure is made.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

B. *Fund Accounting*

The Library uses funds to maintain its financial records during the calendar year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Library's funds are classified as either governmental or proprietary.

Lorain Public Library
Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2004

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Building & Repair Fund This fund is used for major repairs of library owned buildings, purchased land or buildings for library use, or for the construction and furnishing of new buildings or additions.

Capital Improvement Fund This fund is used for vehicle replacement, major equipment purchases or to furnish a new or expanded building.

The other governmental funds of the Library account for resources whose use is restricted and the accumulation of monies for making annual debt service payments.

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The Library has only an enterprise fund.

Enterprise Funds The Enterprise Fund accounts for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Library utilizes an Enterprise Fund to account for expenditure transactions related to property that the library had previously rented. The property is currently for sale.

C. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library.

The statement of net assets presents the financial condition of the governmental activities of the Library at December 31, 2004. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Library's governmental activities. Program Cash Receipts include monies provided by the recipient of the services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Library, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of the Library.

Lorain Public Library
Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2004

Fund Financial Statements 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.

D. Cash and Investments

The Library deposits and invests cash in a common pool. The financial statements present each fund's share of interest in the pool as equity in pooled cash and cash equivalents and as investments. Certificates of deposits are valued at cost.

E. Inventory

On the modified cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

H. Net Assets

The financial statements report restricted net assets when contributors, grantors, or other external factors impose limitations in their use.

NOTE 3 -- EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Trustees 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.

Lorain Public Library
Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2004

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.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bill, Bonds, Notes or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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.
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Lorain Public Library
Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2004

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 investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At fiscal year end, the carrying amount of the Library's deposits was \$2,174,810 and the bank balance was \$2,284,572. Of the bank balance:

1. \$1,814,669 was covered by depository insurance; and
2. \$469,903 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution the pledging institution's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

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

	Category 3	Carrying Value
Federal Home Loan Bank Bonds	\$90,919	\$90,919
Federal National Mortgage Association Bonds	52,474	52,474
STAROhio	0	3,892,025
	\$143,393	\$4,035,418

Lorain Public Library
Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2004

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$3,952,166	\$2,258,062
Certiicates of Deposits greater than 3 months	2,114,669	(2,114,669)
Investments which are part of the cash management pool:		
STAROhio	(3,892,025)	3,892,025
	\$2,174,810	\$4,035,418

NOTE 4 -- RETIREMENT SYSTEMS

The Ohio Public Employees Retirement System of Ohio (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The Library's OPERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2004. The Library has paid all contributions required through December 31, 2004.

NOTE 5 -- RISK MANAGEMENT

The Lorain Public Library has obtained commercial insurance for the following risks:

- Commercial property;
- Vehicles;
- Inland marine;
- Commercial crime;
- Comprehensive and general liability; and
- Surety bonds

NOTE 6 -- LONG TERM OBLIGATIONS

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

Lorain Public Library
 Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2004

Debt outstanding at December 31, 2004 was as follows:

	Principal Outstanding 12/31/2003	Additions	Reductions	Outstanding Balance 12/31/2004
Governmental Activities				
General Obligation Note:				
Construction & Improvements	\$3,255,000		\$365,000	\$2,890,000

Principal and interest requirements to retire the general obligation note outstanding at December 31, 2004, is as follows:

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

Year	Principal	Interest	Total
2005	\$375,000	\$103,550	\$478,550
2006	385,000	93,050	478,050
2007	395,000	81,115	476,115
2008	410,000	67,685	477,685
2009	425,000	52,823	477,823
2010 to 2011	900,000	55,320	955,320
TOTAL	\$2,890,000	\$453,543	\$3,343,543

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library, Lorain County, Ohio (the Library) as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 25, 2005, wherein we noted the Library revised its financial presentation comparable to the requirements of Government Accounting Standard No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated August 25, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

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

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www.auditor.state.oh.us

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

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 25, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

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LORAIN PUBLIC LIBRARY

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
SEPTEMBER 13, 2005**