



Mary Taylor, CPA
Auditor of State

**LORAIN PUBLIC LIBRARY SYSTEM
LORAIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library System, Lorain County, Ohio (the Library), as of and for the years ended December 31, 2008, and December 31, 2007, 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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library System, Lorain County, Ohio, as of December 31, 2008, and December 31, 2007, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2009, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

September 21, 2009

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and December 31, 2007
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, 2008 and December 31, 2007, 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 2008 and 2007 are as follows:

In 2008, net assets decreased \$18,706, or 0.2 percent. In 2007, net assets of governmental activities increased \$1,381,587, or 17.2 percent, a significant change from the year ending December 31, 2006. The fund most affected by the increase in cash and cash equivalents was the Building and Repair Fund due to reduced spending in 2008 and 2007 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 the Public Library Fund ("PLF"). These receipts represent 94.1 percent of the total cash received for governmental activities in 2008, and 92.8 percent of the total cash received for governmental activities in 2007. PLF tax receipts for 2008 and 2007 changed very little compared to 2006 due to stable tax rates and collections and due to a freeze of PLF by the Ohio Government. Property tax collections increased in 2007 with the passage of three local property tax levies in 2006.

The net change in General Fund balance from 2006 to 2008 was \$877,624, or an increase of 28.2 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 System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and December 31, 2007
Unaudited

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2008 and 2007, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end.

The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include 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 draws from the Library's general receipts.

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

In the statement of net assets 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, and library materials and information. These services are primarily funded by property taxes and PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and December 31, 2007
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. All of the Library's funds are accounted for as governmental funds.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and the Building & Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2008, 2007 and 2006 on a cash basis.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	9,409,542	9,428,248	8,046,661
	<u>9,409,542</u>	<u>9,428,248</u>	<u>8,046,661</u>
<i>Total Assets</i>	<u>9,409,542</u>	<u>9,428,248</u>	<u>8,046,661</u>
Net Assets			
Restricted for:			
Capital Projects	4,696,006	4,519,170	3,882,584
Debt Service	1,798	468,759	431,030
Permanent Fund Purpose	2,373	2,313	2,200
Other Purposes	716,461	631,044	615,567
Unrestricted	<u>3,992,904</u>	<u>3,806,962</u>	<u>3,115,280</u>
<i>Total Net Assets</i>	<u>9,409,542</u>	<u>9,428,248</u>	<u>8,046,661</u>

Table 2 reflects the changes in net assets in 2008, 2007 and 2006.

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and December 31, 2007
Unaudited

	Governmental Activities		
	2008	2007	2006
Receipts:			
Program Receipts:			
Charges for Services and Sales	126,758	133,927	160,176
Operating Grants and Contributions	152,749	105,283	100,930
Capital Grants and Contributions			
Total Program Receipts	<u>279,507</u>	<u>239,210</u>	<u>261,106</u>
General Receipts:			
Property Taxes Levied for General Purposes	4,129,521	4,273,653	3,435,488
Grants and Entitlements Not Restricted to Specific Programs	5,426,400	5,338,383	4,843,837
Unrestricted Gifts and Contributions	761	30,663	47,510
Interest	290,584	442,235	400,899
Miscellaneous	<u>27,442</u>	<u>30,557</u>	<u>17,945</u>
Total General Receipts	<u>9,874,708</u>	<u>10,115,491</u>	<u>8,745,679</u>
Total Receipts	<u>10,154,215</u>	<u>10,354,701</u>	<u>9,006,785</u>
Disbursements:			
Library Services:			
General Library Services	6,995,628	5,979,798	5,353,685
Collection Development and Processing	1,758,660	1,905,832	1,786,267
Support Services:			
Facilities Operation and Maintenance	355,389	247,415	218,770
Capital Outlay	585,559	363,954	258,000
Debt Service:			
Principal Retirement	410,000	395,000	385,000
Interest and Fiscal Charges	<u>67,685</u>	<u>81,115</u>	<u>93,050</u>
Total Disbursements	<u>10,172,921</u>	<u>8,973,114</u>	<u>8,094,772</u>
Transfers In / Transfers Out	-	-	-
Change in Net Assets	(18,706)	1,381,587	912,013
Net Assets, January 1	9,428,248	8,046,661	7,134,648
Net Assets, December 31	<u>9,409,542</u>	<u>9,428,248</u>	<u>8,046,661</u>

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and December 31, 2007
Unaudited

Program receipts in 2008, 2007 and 2006 represent only 2.8, 2.3 and 2.9 percent of total receipts and are primarily comprised of patron fines and fees, and contributions, gifts and donations.

General receipts in 2008, 2007 and 2006 represent 97.2, 97.7, and 97.1 percent of the Library's total receipts, and of this amount, 41.8, 42.2 and 39.3 percent were local taxes. State grants and entitlements made up 55.0, 52.8 and 55.4 percent of the Library's general receipts in 2008, 2007 and 2006. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for public service and 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 for 2008 and page 20 for 2007, 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 General Library Services, Collection Development and Processing, Facilities Operation and Maintenance and Capital Outlays which account for 68.8 percent, 17.3 percent, 3.5 percent and 5.7 percent respectively in 2008, and 66.6 percent, 21.2 percent, 2.8 percent and 4.1 percent, respectively in 2007. The next three 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 (Disbursement) Receipts and changes in net assets column compare 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			Net Cost of Services		
	2008	2007	2006	2008	2007	2006
	Library Services:					
General Library Services	(6,995,628)	(5,979,798)	(5,353,685)	(6,725,106)	(5,769,192)	(5,101,178)
Collection Development and Processing	(1,758,660)	(1,905,832)	(1,786,267)	(1,749,675)	(1,877,228)	(1,777,668)
Support Services:						
Facilities Operation and Maintenance	(355,389)	(247,415)	(218,770)	(355,389)	(247,415)	(218,770)
Capital Outlay	(585,559)	(363,954)	(258,000)	(585,559)	(363,954)	(258,000)
Debt Service:						
Principal Retirement	(410,000)	(395,000)	(385,000)	(410,000)	(395,000)	(385,000)
Interest and Fiscal Charges	(67,685)	(81,115)	(93,050)	(67,685)	(81,115)	(93,050)
Total Governmental Activities	(10,172,921)	(8,973,114)	(8,094,772)	(9,893,414)	(8,733,904)	(7,833,666)

The dependence upon property taxes and PLF receipts is apparent as over 97.3 percent in 2008 and 97.3 percent in 2007 of governmental activities are supported through these general receipts.

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and December 31, 2007
Unaudited

The Library's Funds

Total governmental funds had receipts of \$10,154,215 and disbursements of \$10,172,921 in 2008, and had receipts of \$10,354,701 and disbursements of \$8,973,114 in 2007. The fund balance of the General Fund increased \$185,943 in 2008, and increased \$691,681 in 2007 after transfers, 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 has had to raise its millage in some of the communities it serves because it was not achieving anticipated growth in PLF receipts.

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 years 2008 and 2007, the Library amended its general fund budget numerous times, none significant. For 2008, final disbursements and transfers were budgeted at \$14,154,938 while actual disbursements and transfers were \$9,840,376. For 2007, final disbursements and transfers were budgeted at \$12,053,446 while actual disbursements and transfers were \$9,312,432.

Debt Administration

At December 31, 2008, the Library had \$1,325,000 of outstanding general obligation notes issued for constructing a branch library in the City of North Ridgeville, Ohio; improving and constructing an addition to the branch library located in the Township of Columbia, Ohio; and improving and renovating existing Library facilities. For further information regarding the Library's debt, refer to Note 9 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 PLF funding. In 2008, the Library Local Government Support Fund ('LLGSF') was replaced by the PLF. Whereas the LLGSF was funded as a percentage of personal income tax collections, the PLF was established to collect 2.22 percent of the State's General Revenue Fund. Reduced tax collections had caused a 20 percent drop in PLF revenues in the first half of 2009. For the State's biennium budget for 2009-11, the PLF percentage was reduced to only 1.97 percent of the GRF. One of the Library's property tax levies ended in 2009. A levy renewal was passed in the City of North Ridgeville during the May primary. A new operating levy issue will be on the ballot, in conjunction with a separate bond issue to purchase the land and erect a new library, in the City of Avon during the general election in November, 2009. One of the Library's property tax levies will end in 2010. A property tax levy will be put on the ballot in Columbia Township in 2010.

Lorain Public Library System, Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and December 31, 2007
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 James M. Wilson, Chief Fiscal Officer, Lorain Public Library System, 351 Sixth Street, Lorain, Ohio 44052.

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Lorain Public Library System, Lorain County

Statement of Net Assets - Cash Basis

December 31, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,409,542
	<hr/>
<i>Total Assets</i>	<u><u>\$9,409,542</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$4,696,006
Debt Service	1,798
Permanent Fund Purpose	2,373
Other Purposes	716,461
Unrestricted	<u>3,992,904</u>
<i>Total Net Assets</i>	<u><u>\$9,409,542</u></u>

See accompanying notes to the basic financial statements

Lorain Public Library System, Lorain County
Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2008

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,992,905	\$3,986,266	\$1,430,371	\$9,409,542
<i>Total Assets</i>	<u>\$3,992,905</u>	<u>\$3,986,266</u>	<u>\$1,430,371</u>	<u>\$9,409,542</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	176,944	\$33,070	12,591	\$222,605
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	3,815,961			3,815,961
Special Revenue Funds			706,243	706,243
Debt Service Fund			1,798	1,798
Capital Projects Funds		3,953,196	709,739	4,662,935
<i>Total Fund Balances</i>	<u>\$3,992,905</u>	<u>\$3,986,266</u>	<u>\$1,430,371</u>	<u>\$9,409,542</u>

See accompanying notes to the basic financial statements

Lorain Public Library System, Lorain County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2008

Total Governmental Fund Balances	<u>\$9,409,542</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$9,409,542</u></u>

See accompanying notes to the basic financial statements

Lorain Public Library System, Lorain County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$4,129,521			\$4,129,521
Intergovernmental	5,426,400			5,426,400
Patron Fines and Fees	120,380			120,380
Services Provided to Other Entities	2,555			2,555
Contributions, Gifts and Donations	882		152,629	153,511
Earnings on Investments	138,373	108,348	43,863	290,584
Miscellaneous	31,264			31,264
<i>Total Receipts</i>	<u>9,849,375</u>	<u>108,348</u>	<u>196,492</u>	<u>10,154,215</u>
Disbursements				
Current:				
Library Services:				
General Library Services	6,888,786	48,138	58,704	6,995,628
Collection Development and Processing	1,735,301		23,359	1,758,660
Support Services:				
Facilities Operation and Maintenance	355,389			355,389
Capital Outlay	312,972	242,259	30,328	585,559
Debt Service:				
Principal Retirement			410,000	410,000
Interest and Fiscal Charges			67,685	67,685
<i>Total Disbursements</i>	<u>9,292,448</u>	<u>290,397</u>	<u>590,076</u>	<u>10,172,921</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>556,927</u>	<u>(182,049)</u>	<u>(393,584)</u>	<u>(18,706)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets				0
Transfers In		370,984		370,984
Transfers Out	(370,984)			(370,984)
<i>Total Other Financing Sources (Uses)</i>	<u>(370,984)</u>	<u>370,984</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	185,943	188,935	(393,584)	(18,706)
<i>Fund Balances Beginning of Year</i>	<u>3,806,962</u>	<u>3,797,331</u>	<u>1,823,955</u>	<u>9,428,248</u>
<i>Fund Balances End of Year</i>	<u>\$3,992,905</u>	<u>\$3,986,266</u>	<u>\$1,430,371</u>	<u>\$9,409,542</u>

See accompanying notes to the basic financial statements

Lorain Public Library System, Lorain County
*Reconciliation of the Statement of Revenues, Disbursements and Changes in
Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2008*

Net Change in Fund Balances - Total Governmental Funds	<u>(\$18,706)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$18,706)</u></u>

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$4,824,934	\$4,824,934	\$4,129,521	(\$695,413)
Intergovernmental	4,880,827	4,717,430	5,426,400	708,970
Patron Fines and Fees	110,000	110,000	120,380	10,380
Services Provided to Other Entities	2,000	2,000	2,555	555
Contributions, Gifts and Donations	1,000	1,000	882	(118)
Earnings on Investments	34,000	34,000	138,373	104,373
Miscellaneous	3,000	3,000	31,264	28,264
<i>Total Receipts</i>	<u>9,855,761</u>	<u>9,692,364</u>	<u>9,849,375</u>	<u>157,011</u>
Disbursements				
Current:				
Library Services:				
General Library Services	9,099,583	8,802,195	6,979,180	1,823,015
Collection Development and Processing	1,552,817	1,804,713	1,793,125	11,588
Support Services:				
Facilities Operation and Maintenance	556,160	606,293	375,143	231,150
Capital Outlay	556,898	595,841	321,944	273,897
<i>Total Disbursements</i>	<u>11,765,458</u>	<u>11,809,042</u>	<u>9,469,392</u>	<u>2,339,650</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,909,697)</u>	<u>(2,116,678)</u>	<u>379,983</u>	<u>2,496,661</u>
<i>Other Financing Sources (Uses)</i>				
Transfers In	1,967,353	1,967,353		(1,967,353)
Transfers Out	(2,345,896)	(2,345,896)	(370,984)	1,974,912
<i>Total Other Financing Sources (Uses)</i>	<u>(378,543)</u>	<u>(378,543)</u>	<u>(370,984)</u>	<u>7,559</u>
<i>Net Change in Fund Balance</i>	(2,288,240)	(2,495,221)	8,999	2,504,220
<i>Fund Balance Beginning of Year</i>	3,304,502	3,304,502	3,304,502	0
<i>Prior Year Encumbrances Appropriated</i>	502,460	502,460	502,460	0
<i>Fund Balance End of Year</i>	<u>\$1,518,722</u>	<u>\$1,311,741</u>	<u>\$3,815,961</u>	<u>\$2,504,220</u>

See accompanying notes to the basic financial statements

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Lorain Public Library System, Lorain County

Statement of Net Assets - Cash Basis

December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,428,248
	<hr/>
<i>Total Assets</i>	<u><u>\$9,428,248</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$4,519,170
Debt Service	468,759
Permanent Fund Purpose	2,313
Other Purposes	631,044
Unrestricted	<u>3,806,962</u>
<i>Total Net Assets</i>	<u><u>\$9,428,248</u></u>

See accompanying notes to the basic financial statements

Lorain Public Library System, Lorain County

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

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Library Services:					
General Library Services	\$ 5,979,798	\$ 133,927	\$ 76,679		\$ (5,769,192)
Collection Development and Processing	1,905,832		28,604		(1,877,228)
Support Services:					
Facilities Operation and Maintenance	247,415				(247,415)
Capital Outlay	363,954				(363,954)
Debt Service:					
Principal Retirement	395,000				(395,000)
Interest and Fiscal Charges	81,115				(81,115)
<i>Total Governmental Activities</i>	<u>\$8,973,114</u>	<u>\$133,927</u>	<u>\$105,283</u>	<u>\$0</u>	<u>(\$8,733,904)</u>
General Receipts					
Property Taxes Levied for General Purposes					4,273,653
Unrestricted Gifts and Contributions					30,663
Grants and Entitlements not Restricted to Specific Programs					5,338,383
Interest					442,235
Miscellaneous					30,557
Total General Receipts					<u>10,115,491</u>
Change in Net Assets					1,381,587
<i>Net Assets Beginning of Year</i>					<u>8,046,661</u>
<i>Net Assets End of Year</i>					<u><u>\$9,428,248</u></u>

See accompanying notes to the basic financial statements

Lorain Public Library System, Lorain County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,806,962	\$3,797,331	\$1,823,955	\$9,428,248
<i>Total Assets</i>	<u>\$3,806,962</u>	<u>\$3,797,331</u>	<u>\$1,823,955</u>	<u>\$9,428,248</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	502,460	\$0	7,186	\$509,646
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	3,304,502			3,304,502
Special Revenue Funds			630,201	630,201
Debt Service Fund			468,759	468,759
Capital Projects Funds		3,797,331	717,809	4,515,140
<i>Total Fund Balances</i>	<u>\$3,806,962</u>	<u>\$3,797,331</u>	<u>\$1,823,955</u>	<u>\$9,428,248</u>

See accompanying notes to the basic financial statements

Lorain Public Library System, Lorain County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2007

Total Governmental Fund Balances	<u>\$9,428,248</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$9,428,248</u></u>

See accompanying notes to the basic financial statements

Lorain Public Library System, Lorain County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$4,273,653			\$4,273,653
Intergovernmental	4,862,268		476,115	5,338,383
Patron Fines and Fees	118,144			118,144
Services Provided to Other Entities	9,700			9,700
Contributions, Gifts and Donations	40,502		95,445	135,947
Earnings on Investments	179,867	159,476	102,892	442,235
Miscellaneous	36,639			36,639
<i>Total Receipts</i>	<u>9,520,773</u>	<u>159,476</u>	<u>674,452</u>	<u>10,354,701</u>
Disbursements				
Current:				
Library Services:				
General Library Services	5,914,762		65,036	5,979,798
Collection Development and Processing	1,869,379		36,453	1,905,832
Support Services:				
Facilities Operation and Maintenance	247,415			247,415
Capital Outlay	300,086	34,734	29,134	363,954
Debt Service:				
Principal Retirement			395,000	395,000
Interest and Fiscal Charges			81,115	81,115
<i>Total Disbursements</i>	<u>8,331,642</u>	<u>34,734</u>	<u>606,738</u>	<u>8,973,114</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,189,131</u>	<u>124,742</u>	<u>67,714</u>	<u>1,381,587</u>
Other Financing Sources (Uses)				
Transfers In	0	497,450		497,450
Transfers Out	(497,450)			(497,450)
<i>Total Other Financing Sources (Uses)</i>	<u>(497,450)</u>	<u>497,450</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	691,681	622,192	67,714	1,381,587
<i>Fund Balances Beginning of Year</i>	<u>3,115,281</u>	<u>3,175,139</u>	<u>1,756,241</u>	<u>8,046,661</u>
<i>Fund Balances End of Year</i>	<u>\$3,806,962</u>	<u>\$3,797,331</u>	<u>\$1,823,955</u>	<u>\$9,428,248</u>

See accompanying notes to the basic financial statements

Lorain Public Library System, Lorain County
*Reconciliation of the Statement of Revenues, Disbursements and Changes in
Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2007*

Net Change in Fund Balances - Total Governmental Funds	<u>\$1,381,587</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$1,381,587</u></u>

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$5,021,021	\$5,021,021	\$4,273,653	(\$747,368)
Intergovernmental	4,579,725	\$4,579,725	4,862,268	282,543
Patron Fines and Fees	60,000	60,000	118,144	58,144
Services Provided to Other Entities	14,000	14,000	9,700	(4,300)
Contributions, Gifts and Donations	1,000	1,000	40,502	39,502
Earnings on Investments	15,000	15,000	179,867	164,867
Miscellaneous	4,000	4,000	36,639	32,639
<i>Total Receipts</i>	<u>9,694,746</u>	<u>9,694,746</u>	<u>9,520,773</u>	<u>(173,973)</u>
Disbursements				
Current:				
Library Services:				
General Library Services	7,614,844	7,640,970	6,089,092	1,551,878
Collection Development and Processing	2,478,475	2,498,302	2,133,438	364,864
Support Services:				
Facilities Operation and Maintenance	340,664	358,436	255,976	102,460
Capital Outlay	582,173	582,173	336,476	245,697
<i>Total Disbursements</i>	<u>11,016,156</u>	<u>11,079,881</u>	<u>8,814,982</u>	<u>2,264,899</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,321,410)</u>	<u>(1,385,135)</u>	<u>705,791</u>	<u>2,090,926</u>
<i>Other Financing Sources (Uses)</i>				
Transfers Out	(973,565)	(973,565)	(497,450)	476,115
<i>Total Other Financing Sources (Uses)</i>	<u>(973,565)</u>	<u>(973,565)</u>	<u>(497,450)</u>	<u>476,115</u>
<i>Net Change in Fund Balance</i>	(2,294,975)	(2,358,700)	208,341	2,567,041
<i>Fund Balance Beginning of Year</i>	2,626,197	2,626,197	2,626,197	0
<i>Prior Year Encumbrances Appropriated</i>	469,964	469,964	469,964	0
<i>Fund Balance End of Year</i>	<u>\$801,186</u>	<u>\$737,461</u>	<u>\$3,304,502</u>	<u>\$2,567,041</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, 2008 and December 31, 2007

NOTE 1 -- DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Lorain Public Library System, 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.

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.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the 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.

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements

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

The statement of net assets 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 or activity is self-financing on a modified 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. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange 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 & Repair Fund The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

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

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. 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.

D. Budgetary Process

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

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

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

The 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 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 2008 and 2007, investments were limited to money market funds, STAR Ohio and nonnegotiable certificates of deposit. Except for the money market fund and STAR Ohio these investments are recorded at cost.

The Library's money market fund investments are recorded at amounts reported by Lorain National Bank, Charter One Bank and Buckeye Community Bank on December 31, 2008 and December 31, 2007.

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, 2008 and December 31, 2007.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2008 amounted to \$138,373, and \$179,867 in 2007.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent \$5,416,638 of the Library's funds at December 31, 2008, and \$5,621,286 of the Library's funds at December 31, 2007 which have had restrictions imposed by contributors or grantors.

G. 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.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

I. 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 modified cash basis of accounting.

J. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. 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.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for special programs, special collections and building improvements.

The Library's policy is to first consider restricted resources when an obligation is considered for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

N. 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.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund 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 modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis), and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$176,944 in 2008, and \$502,460 in 2007 for the General Fund. There were not any outstanding advances in the General Fund at year end.

NOTE 4 – 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 Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Interim deposits in duly authorized depositories of LPLS, provided those deposits are properly insured or collateralized as required by law.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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: (1) 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).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Library by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments 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.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2008, \$2,576,218 of the Library's bank balance of \$4,207,930 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 2007, \$2,352,831 of the Library's bank balance of \$4,356,613 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

Lorain Public Library System
 Lorain County
Notes to the Basic Financial Statements
 For the Years Ended December 31, 2008 and December 31, 2007

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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, 2008 and December 31, 2007 the Library had the following investments:

	Carrying Value	Maturity
December 31, 2008		
STAR Ohio	\$5,200,763	Less Than One Year
	Carrying Value	Maturity
December 31, 2007		
STAR Ohio	\$5,070,885	Less Than One Year

The Library investment policy does not deal with investment credit risk beyond the requirements in State statute contained in ORC section 135. 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. STAR Ohio carries a rating of AAAM by Standard and Poor's.

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that 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 that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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

NOTE 5 – GRANTS-IN-AID AND PROPERTY TAXES

The primary 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 of any additional revenues the Library receives.

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Library's Districts. Property tax receipts received in 2008 and 2007 for real and public utility property taxes represents collections of the 2007 and 2006 taxes

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

NOTE 5 – GRANTS-IN-AID AND PROPERTY TAXES (Continued)

respectively. Property tax payments received in 2008 and 2007 for tangible personal property (other than public utility property) is for 2008 and 2007 taxes.

2008 and 2007 real property taxes are levied after October 1, 2008 and October 1, 2007 on the assessed values as of January 1, 2008 and January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009, and 2007 real property taxes are collected in and intended to finance 2008.

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 alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility taxes which became a lien on December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. 2007 public utility taxes which became a lien on December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2008 tangible property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Collections are made in 2008. 2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Library operations for the year ended December 31, 2008 was \$1.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based is as follows:

Real Property	
Residential/Agricultural	\$2,103,329,580
Other	396,920,120
Public Utility Property	36,633,800
Mobile Home	951,030
Tangible Personal Property	<u>41,357,080</u>
Total	<u>\$2,579,191,610</u>

The full tax rate for all Library operations for the year ended December 31, 2007 was \$1.71 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based is as follows:

Real Property	
Residential/Agricultural	\$2,036,667,080
Other	385,394,550
Public Utility Property	40,498,929
Mobile Home	919,420
Tangible Personal Property	<u>41,357,081</u>
Total	<u>\$2,504,837,060</u>

Lorain Public Library System
 Lorain County
Notes to the Basic Financial Statements
 For the Years Ended December 31, 2008 and December 31, 2007

NOTE 6 -- 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 2008, 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	\$24,808,814
	General Liability	\$5,000,000/\$7,000,000
	Employee Benefits	\$1,000,000/\$3,000,000
	Employee Dishonesty	\$100,000
	Inland Marine	\$18,865,680
	Vehicle	\$5,000,000
	Library Officials	\$5,000,000/\$7,000,000

During 2007, the Library contracted with Republic Franklin Insurance for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Republic Franklin Insurance	Commercial Property	\$23,409,574
	General Liability	\$1,000,000/\$3,000,000
	Employee Dishonesty	\$100,000
	Inland Marine	\$18,340,422
	Vehicle	\$1,000,000
	Library Officials Umbrella	\$5,000,000/\$5,000,000

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description - The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the years ended December 31, 2008 and December 31, 2007, the members of all three plans were required to contribute 10.00 and 9.50 percent of their annual covered salaries, respectively. The Library's contribution rate for pension benefits for 2008 was 14.00 percent, and 13.85 percent for 2007. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$603,750, \$542,379, and \$492,019 respectively. The full amount has been contributed for 2008, 2007, and 2006. There were no contributions to the member-directed plan for 2008 or 2007.

NOTE 8 - POSTEMPLOYMENT BENEFITS

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008 and 2007, local government employers contributed 14.00 and 13.85 percent of covered payroll respectively. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7.00 percent for 2008, and 5.00 percent from January 1 through June 30, 2007 and 6.00 percent for July 1 through December 31, 2007, and 4.50 percent of covered payroll for 2006.

Lorain Public Library System
 Lorain County
Notes to the Basic Financial Statements
 For the Years Ended December 31, 2008 and December 31, 2007

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2008, 2007, and 2006 were \$301,875, \$215,378, and \$161,612 respectively; 100 percent has been contributed for 2008, 2007 and 2006.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

NOTE 9 – NOTES PAYABLE

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

Debt outstanding at December 31, 2008 was as follows:

	Principal Outstanding 12/31/2006	Additions	Reductions	Outstanding Balance 12/31/2008
Governmental Activities				
General Obligation Note:				
Construction & Improvements	\$2,130,000	\$0	\$805,000	\$1,325,000

Principal and interest requirements to retire the general obligation note outstanding at December 31, 2008, is as follows:

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

Year	Principal	Interest	Total
2009	\$ 425,000	\$ 52,823	\$ 477,823
2010	440,000	36,460	476,460
2011	460,000	18,860	478,860
TOTAL	\$ 1,325,000	\$ 108,143	\$ 1,433,143

NOTE 10 – INTERFUND TRANSFERS

The general fund transferred \$370,984 to the Building and Repair Fund in 2008 and \$497,450 in 2007 for the purchase and renovation of buildings throughout the Library system.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

NOTE 11 – 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 12 – SUBSEQUENT EVENTS

On May 5, 2009, the voters of the City of North Ridgeville passed an issue which renews the Library's current 1.91 mills for operating funds.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library System, Lorain County, (the Library) as of and for the years ended December 31, 2008, and December 31, 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 21, 2009, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

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

Mary Taylor, CPA
Auditor of State

September 21, 2009



Mary Taylor, CPA
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
OCTOBER 13, 2009**