



Dave Yost • Auditor of State



**LORAIN PUBLIC LIBRARY SYSTEM  
LORAIN COUNTY**

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**LORAIN PUBLIC LIBRARY SYSTEM  
LORAIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain County Public Library System, Lorain County, Ohio (the Library), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library System, Lorain County, Ohio, as of December 31, 2016 and 2015, and the respective changes in cash financial position, and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Other Matters**

*Supplemental and Other Information*

Our audit was conducted to opine in the financial statements taken as a whole.

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 25, 2017

Lorain Public Library System, Lorain County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

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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 year ended December 31, 2016, 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 2016 are as follows:

In 2016, net position increased \$534,762 or 5.8 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund. The increase was a result of staff attrition and conservative spending.

The Library's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs, which is the Public Library Fund ("PLF"). These receipts represent 97.0 percent of the total cash received for governmental activities in 2016. Property tax collections for 2016 increased from 2015. The increases were due to new construction. PLF receipts for 2016 decreased by \$24,138 from 2015. The changes were due to the change in the State of Ohio's temporary increase of the PLF from 1.67 percent of the General Revenue Fund, to 1.70 percent for the FY2015-2016 state budget.

The net change in Governmental Fund balances from 2015 to 2016 was an increase of \$534,762, an increase of 5.8 percent.

### **Using the Basic Financial Statements**

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

#### **Report Components**

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

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

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

#### **Basis of Accounting**

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

Lorain Public Library System, Lorain County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

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

**Reporting the Library as a Whole**

The Statement of Net Position and the Statement of Activities reflect how the Library did financially during 2016, within the limitations of cash basis accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

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

**Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds - not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are split into two categories: governmental and fiduciary.

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



Lorain Public Library System, Lorain County  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2016  
 Unaudited

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

**The Library as a Whole**

Table 1 provides a summary of the Library's net position for 2016 compared to 2015 on a cash basis:

(Table 1)

**Net Position**

	2016	2015
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$9,111,144	\$8,551,178
Cash and Cash Equivalents in Segregated Accounts	642,416	667,620
Total Assets	\$9,753,560	\$9,218,798
 <b>Net Position</b>		
Restricted for:		
Capital Projects	\$882,649	\$1,000,852
Permanent Fund Purpose	700	700
Other Purposes	5,616,603	5,156,611
Unrestricted	3,253,608	3,060,635
Total Net Position	\$9,753,560	\$9,218,798

As mentioned previously, net position of governmental activities increased \$534,762 or 5.8 percent during 2016. The primary reasons contributing to the increase in cash balances are as follows:

- Budget reductions implemented in 2010, due to cutbacks in PLF funding, resulted in expense reductions in 2016.
- In 2016, the Library saw increases in property tax revenues from all of the community levies, and decreases in spending for capital projects.

Lorain Public Library System, Lorain County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

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Table 2 reflects the changes in net position on a cash basis in 2016 and 2015 for governmental activities.

(Table 2)  
**Changes in Net Position**

	Governmental Activities	
	2016	2015
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$124,785	\$132,747
Operating Grants and Contributions	64,108	80,011
Total Program Receipts	<u>188,893</u>	<u>212,758</u>
General Receipts:		
Property Taxes Levied for General Purposes	4,022,216	3,908,831
Intergovernmental Funds	4,594,676	4,629,199
Unrestricted Gifts	0	15
Earnings on Investments	43,024	26,069
Miscellaneous	35,858	56,929
Total General Receipts	<u>8,695,774</u>	<u>8,621,043</u>
Total Receipts	<u>8,884,667</u>	<u>8,833,801</u>
Disbursements:		
Library Services:		
Public Service and Programs	6,479,796	6,327,124
Collection Development and Processing	1,098,607	994,943
Support Services:		
Facilities Operation and Maintenance	448,303	432,504
Capital Outlay	323,199	544,430
Total Disbursements	<u>8,349,905</u>	<u>8,299,001</u>
Change in Net Position	534,762	534,800
Net Position, January 1	<u>9,218,798</u>	<u>8,683,998</u>
Net Position, December 31	<u><u>\$9,753,560</u></u>	<u><u>\$9,218,798</u></u>

Program receipts in 2016 and 2015 represent only 2.1 and 2.4 percent respectively, of total receipts and are primarily comprised of patron fines and fees, refunds and contributions, gifts and donations.

Lorain Public Library System, Lorain County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

General receipts in 2016 and 2015, represent 97.9 and 97.6 percent, respectively, of the Library's total receipts, and of this amount, 46.3 and 45.3 percent were property taxes in 2016 and 2015. State grants and entitlements made up 52.8 and 53.7 percent respectively of the Library's general receipts in 2016 and 2015. Other receipts are insignificant and somewhat unpredictable revenue sources.

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

**Governmental Activities**

If you look at the Statement of Activities for 2016, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, and Capital Outlay which account for 77.6 percent, 13.1 percent, 5.4 percent and 3.9 percent of all Library disbursements respectively, in 2016. The next two columns of the statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net (Disbursements) Receipts and Changes in Net Position column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost of services is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Library Services:				
Public Service and Programs	(\$6,479,796)	(\$6,327,124)	(\$6,290,903)	(\$6,114,366)
Collection Development and Processing	(1,098,607)	(994,943)	(1,098,607)	(994,943)
Support Services:				
Facilities Operaton and Maintenance	(448,303)	(432,504)	(448,303)	(432,504)
Capital Outlay	(323,199)	(544,430)	(323,199)	(544,530)
Total Governmental Activities	<u>(\$8,349,905)</u>	<u>(\$8,299,001)</u>	<u>(\$8,161,012)</u>	<u>(\$8,086,343)</u>

The dependence upon local property taxes and PLF receipts is apparent as 97.7 percent of governmental activities in 2016 and 90.1 percent of governmental activities in 2015, were supported through these general receipts.

**The Library's Funds**

Total governmental funds had receipts of \$8,884,667 and disbursements of \$8,349,905 in 2016. The fund balance of the General Fund increased in 2016, as the result of the concern of future funding and the Library being conservative in its spending. General Fund receipts were greater than disbursements by \$653,053 in 2016, indicating that the budget reduction efforts in 2010 had a positive effect on operations in 2015. The budget reductions implemented in 2010, including workforce reduction, reduced purchases of supplies and library materials and renegotiation of service contracts. These cuts will not eliminate the need for additional funds (and/or additional cuts) in the future if the State of Ohio continues to reduce the PLF.

Lorain Public Library System, Lorain County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

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**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 2016, the Library's General Fund experienced surpluses resulting from prudent management of spending, despite reductions in some of the Library's tax base.

Final disbursements for 2016 were budgeted at \$10,204,808 while actual disbursements were \$8,163,983. Budget reductions in 2010 were implemented to reduce the variance of disbursements over receipts. The Library has kept spending within budgeted amounts as demonstrated by the positive variances.

**Capital Assets**

Capital Assets

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

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and PLF funding. The State of Ohio's FY2014-FY2016 Budget has reduced the Public Library Funding (PLF) which was initiated as 2.22% of the State's General Revenue Fund, to a temporarily reduced 1.97% of the State's General Revenue Fund, to a temporary rate of 1.70 % of the State's General Revenue Fund. The Governor has proposed reducing the PLF to a permanent rate of 1.66% of the State's General Revenue Fund. The Library passed two levies with additional millage in 2016. The increase will help to offset the loss of taxable properties from the tax rolls in several communities.

**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 6<sup>th</sup> Street, Lorain, Ohio 44052.

**Lorain Public Library System, Lorain County**

*Statement of Net Position - Cash Basis*

*December 31, 2016*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$9,111,144
Cash and Cash Equivalents in Segregated Accounts	<u>642,416</u>
<i>Total Assets</i>	<u><u>\$9,753,560</u></u>
 <b>Net Position</b>	
Restricted for:	
Capital Projects	\$882,649
Permanent Fund Purpose:	
Nonexpendable	700
Other Purposes	5,616,603
Unrestricted	<u>3,253,608</u>
<i>Total Net Position</i>	<u><u>\$9,753,560</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, 2016*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Library Services:				
Public Services and Programs	\$6,479,796	\$124,785	\$64,108	(\$6,290,903)
Collection Development and Processing	1,098,607			(1,098,607)
Support Services:				
Facilities Operation and Maintenance	448,303			(448,303)
Capital Outlay	323,199			(323,199)
<i>Total Governmental Activities</i>	<u>\$8,349,905</u>	<u>\$124,785</u>	<u>\$64,108</u>	<u>(\$8,161,012)</u>
		General Receipts:		
		Property Taxes Levied for General Purposes		4,022,216
		Intergovernmental Funds		4,594,676
		Earnings on Investments		43,024
		Miscellaneous		35,858
		<i>Total General Receipts</i>		<u>8,695,774</u>
		Change in Net Position		534,762
		<i>Net Position, Beginning of Year</i>		<u>9,218,798</u>
		<i>Net Position, End of Year</i>		<u>\$9,753,560</u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Statement of Assets and Fund Balances- Cash Basis*  
*Governmental Funds*  
*December 31, 2016*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$8,214,600	\$896,544	\$9,111,144
Cash and Cash Equivalents in Segregated Accounts		642,416	642,416
<i>Total Assets</i>	<u>\$8,214,600</u>	<u>\$1,538,960</u>	<u>\$9,753,560</u>
<b>Fund Balances</b>			
Nonspendable		\$700	\$700
Restricted		\$653,803	653,803
Committed	\$250,377		250,377
Assigned	6,631,968	884,457	7,516,425
Unassigned	1,332,255		1,332,255
<i>Total Fund Balances</i>	<u>\$8,214,600</u>	<u>\$1,538,960</u>	<u>\$9,753,560</u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities - Cash Basis  
December 31, 2016*

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<b>Total Governmental Fund Balances</b>	<u>\$9,753,560</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$9,753,560</u></u>

See accompanying notes to the basic financial statements



**Lorain Public Library System, Lorain County**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2016*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$4,022,216		\$4,022,216
Public Library	3,954,524		3,954,524
Intergovernmental	640,152		640,152
Patron Fines and Fees	124,785		124,785
Contributions, Gifts and Donations	2,320	\$61,788	64,108
Earnings on Investments	37,181	5,843	43,024
Miscellaneous	35,858		35,858
<i>Total Receipts</i>	<u>8,817,036</u>	<u>67,631</u>	<u>8,884,667</u>
<b>Disbursements</b>			
Current:			
Library Services:			
Public Services and Programs	6,433,125	46,671	6,479,796
Collection Development and Processing	1,083,482	15,125	1,098,607
Support Services:			
Facilities Operation and Maintenance	448,304		448,304
Capital Outlay	199,072	124,126	323,198
<i>Total Disbursements</i>	<u>8,163,983</u>	<u>185,922</u>	<u>8,349,905</u>
<i>Net Change in Fund Balances</i>	653,053	(118,291)	534,762
<i>Fund Balances Beginning of Year</i>	<u>7,561,547</u>	<u>1,657,251</u>	<u>9,218,798</u>
<i>Fund Balances End of Year</i>	<u><u>\$8,214,600</u></u>	<u><u>\$1,538,960</u></u>	<u><u>\$9,753,560</u></u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Reconciliation of the Statement of Receipts, Disbursements and Changes  
in Fund Balances - Governmental Funds to the Statement of Activities - Cash Basis  
For the Year Ended December 31, 2016*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<u>\$534,762</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$534,762</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, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$4,070,339	\$4,070,339	\$4,022,216	(\$48,123)
Public Library	4,062,277	3,972,708	3,954,524	(18,184)
Intergovernmental	648,279	648,279	640,152	(8,127)
Patron Fines and Fees	127,000	127,000	124,785	(2,215)
Contributions, Gifts and Donations	1,000	1,000	2,320	1,320
Earnings on Investments	15,590	15,590	37,181	21,591
Miscellaneous	6,600	6,600	35,858	29,258
<i>Total Receipts</i>	8,931,085	8,841,516	8,817,036	(24,480)
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	7,544,733	7,409,700	6,723,654	686,046
Collection Development and Processing	1,446,010	1,560,632	1,083,482	477,150
Support Services:				
Facilities Operation and Maintenance	567,838	624,138	448,304	175,834
Capital Outlay	584,227	610,338	199,072	411,266
<i>Total Disbursements</i>	10,142,808	10,204,808	8,454,512	1,750,296
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,211,723)	(1,363,292)	362,524	1,725,816
<i>Net Change in Fund Balance</i>	(1,211,723)	(1,363,292)	362,524	1,725,816
<i>Unencumbered Fund Balance Beginning of Year</i>	7,314,286	7,314,286	7,314,286	0
<i>Prior Year Encumbrances Appropriated</i>	247,261	247,261	247,261	0
<i>Fund Balance End of Year</i>	\$6,349,824	\$6,198,255	\$7,924,071	\$1,725,816

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*December 31, 2016*

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	<u>Wellness Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents in Segregated Accounts	<u>\$12,994</u>
<i>Total Assets</i>	<u>12,994</u>
<b>Net Position</b>	
Held on behalf of Employees in Wellness and Healthcare Expendable	<u>12,994</u>
<i>Total Net Position</i>	<u><u>\$12,994</u></u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Description of the Library and Reporting Entity**

The Lorain Public Library System, Lorain County (“the Library”) was organized as a school district public library in 1901 under the laws of the State of Ohio. The Library’s service district encompasses the Lorain City School District, the North Ridgeville City School District, the Sheffield-Sheffield Lake City School District, the Avon Local School District, the Clearview Local School District, the Columbia Local School District, and the portions of the Firelands Local School District located in the Townships of Henrietta and Camden. The Library has its own seven-member Board of Trustees appointed by the Lorain City School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Chief Fiscal Officer.

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

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

Under the provisions of Statement No. 61 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of the Lorain City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization’s governing board; and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization’s resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

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

## **Note 2 - Summary of Significant Accounting Policies**

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

### ***Basis of Presentation***

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

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

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

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

### ***Fund Accounting***

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

## Lorain Public Library System, Lorain County

### Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

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**Governmental Funds** Governmental funds are those through which most governmental functions of the Library are financed. The following is the Library's major governmental fund:

**General Fund** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

### **Basis of Accounting**

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

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

### **Budgetary Process**

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

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

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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***Cash and Cash Equivalents***

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

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

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

During 2016, investments were limited to STAR Ohio. The STAR Ohio accounts were reported at the bank balance value at year-end.

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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Library also implemented GASB Statement No. 79 for 2016. The implementation of this GASB pronouncement had no effect on beginning net position/fund balance. The Library measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Library funds according to State statutes. Interest receipts credited to the General Fund during 2016 was \$37,181, which includes \$20,772 assigned from other Library funds.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Library are reported as restricted.



**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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***Inventory and Prepaid Items***

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

***Capital Assets***

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

***Accumulated Leave***

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

***Employer Contributions to Cost-Sharing Pension Plans***

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

***Net Position***

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

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

***Fund Balance***

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

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

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

**Lorain Public Library System, Lorain County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. State Statute authorizes the Library Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

**Internal Activity**

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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 and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Change in Accounting Principle**

For the year 2016, the Library has implemented GASB Statement No. 77, “Tax Abatement Disclosures”.

As described in Note 6, GASB Statement No. 77 recognizes that local governments employ a variety of programs and policies that reduce the taxes an individual or entity otherwise would owe, with the intent of encouraging certain actions, such as constructing housing in a particular neighborhood or relocating/retaining businesses. The goal of GASB Statement No. 77 is to make tax abatement transactions more transparent and to provide financial statement users with the information necessary to assess how tax abatements affect financial position and results of operations, including the future ability to raise resources and meet financial obligations. This GASB pronouncement had no effect on beginning net position as reported December 31, 2015.

**Lorain Public Library System, Lorain County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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For Fiscal year 2016, the Library has implemented GASB Statement No. 79, "Certain External Investment Pools and Pool Participants."

As described in Note 2, GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The Library participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The Library incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$290,529 for the general fund at December 31, 2016.

Net Change in Fund Balance

	<u>General Fund</u>
Cash Basis	\$653,053
Adjustment for Encumbrances	<u>290,529</u>
Budget Basis	<u>\$362,524</u>

**Note 5 – Deposits and Investments**

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

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

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

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

**Lorain Public Library System, Lorain County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Interim deposits in duly authorized depositories of LPLS, provided those deposits are properly insured or collateralized as required by law.
4. Federally insured certificates of deposit issued through the Certificate of Deposit Account Registry Service (CDARS) by financial institutions located in the United States, provided that (i) the funds are initially invested by the library through a financial institution that is participating in CDARS and that is located and doing business in the State of Ohio; (ii) the financial institution in the State of Ohio receives reciprocal deposits from customers of other financial institutions in an amount equal to the funds initially invested by the jurisdiction; and (iii) each such certificate of deposit is in an amount that is eligible for full FDIC insurance coverage.
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. No-load money market mutual funds consisting of securities described in (1) or (2) of this Section and repurchase agreements secured by such obligations, provided all such securities described in this division are made only through eligible institutions.;
7. Overnight or term (not exceeding 30 days) repurchase agreements meeting the requirements of Section 135.14(E) of the Ohio Revised Code, with: (i) a bank or savings and loan association eligible to be a depository of public funds of Ohio subdivisions or (ii) a member of the National Association of Securities Dealers;
8. The State Treasurer's investment pool (STAR Ohio).

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

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

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

**Lorain Public Library System, Lorain County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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**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 2016, \$5,585,163 of the Library's bank balance of \$6,085,163 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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

**Investments**

As of December 31, 2016 the Library had the following investments:

	<u>Measurement Amount</u>	<u>Maturity</u>
STAR Ohio	\$3,752,532	Less Than One Year

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

**Note 6 – Grants in Aid, Property Taxes, and Tax Abatements**

**Grants in Aid**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

**Property Taxes**

Property taxes include amounts levied against all real property and public utility property located in the Library's Districts. Property tax revenue received in 2016 for real and public utility property taxes represents collections of the 2015 taxes.

2016 real property taxes are levied after October 1, 2016 on the assessed values as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

**Lorain Public Library System, Lorain County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. The full tax rate for all Library operations for the year ended December 31, 2016, was \$1.60 per \$1,000 of assessed value. The assessed values of real and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$2,057,895,470
Other	401,342,740
Public Utility Property	<u>59,766,430</u>
Total	<u>\$2,519,004,640</u>

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

**Tax Abatements**

For 2016, Governmental Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures" was effective. This GASB pronouncement had no effect on beginning net position as reported December 31, 2015.

The Library is responsible for the disclosures of tax abatement agreements of other governments reducing the reporting government's tax revenues.

Taxing District Name	Type of Program	Abated Taxable Value	Foregone Tax
Avon City	Enterprise Zone	\$ 762,090	\$ 914.51
Avon City	Enterprise Zone	\$ 365,770	\$ 438.92
Avon City	Enterprise Zone	\$ 1,516,520	\$ 1,819.82
Avon City	Enterprise Zone	\$ 624,830	\$ 749.80
Avon City	Enterprise Zone	\$ 2,146,940	\$ 2,576.33
Lorain City	CRA	\$ 34,700	\$ 206.47
Lorain City	CRA	\$ 744,440	\$ 4,429.42
Lorain City	CRA	\$ 243,640	\$ 1,449.66
Lorain City	CRA	\$ 376,080	\$ 2,237.68
Lorain City	CRA	\$ 6,690	\$ 39.81
Lorain City	CRA	\$ 197,980	\$ 1,177.98
Lorain City	CRA	\$ 197,870	\$ 1,177.33
Lorain City	CRA	\$ 23,860	\$ 141.97
North Ridgeville City	Enterprise Zone	\$ 361,840	\$ 691.11
North Ridgeville City	Enterprise Zone	\$ 582,470	\$ 1,112.52
North Ridgeville City	CRA	\$ 498,330	\$ 951.81
North Ridgeville City	CRA	\$ 1,583,430	\$ 3,024.35
North Ridgeville City	CRA	\$ 227,520	\$ 434.56
North Ridgeville City	CRA	\$ 377,840	\$ 721.67
North Ridgeville City	CRA	\$ 39,220	\$ 74.91
North Ridgeville City	CRA	\$ 376,580	\$ 719.27

**Lorain Public Library System, Lorain County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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**Note 7 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, 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	\$92,603,270
	General Liability	\$5,000,000/\$7,000,000
	Employee Benefits	\$5,000,000/\$7,000,000
	Employee Dishonesty	\$100,000
	Vehicle	\$5,000,000
	Library Officials	\$5,000,000/\$7,000,000

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

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

**Note 8 - Defined Benefit Pension Plan**

***OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM***

Plan Description – Library employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pensions with defined contribution features. While members (e.g. Library employees) may elect the member-directed plan, substantially all employee members are in OPERS' traditional plan; therefore the following disclosure focuses on the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:



**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

	State and Local
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Library’s contractually required contribution was \$520,564 for year 2016.

**Note 9 – Post-Employment Benefits**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS’ CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

**Lorain Public Library System, Lorain County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Library's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$74,337, \$73,701, and \$74,654 respectively. The full amount has been contributed for all three years.

**Note 10 – Construction and Contractual Commitments**

The Library Board of Trustees approved a bid of \$295,000 for the replacement of the boilers and some piping for the HVAC system at the Main Library. The work is to be performed in the spring of 2017.

**Note 11 – Related Organizations**

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

The Library has the following affiliated 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.

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 12 - Fund Balances**

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

Fund Balances	General Fund	Other Governmental Funds	Total
<b>Nonspendable</b>			
Permanent	\$ 0	\$ 700	\$ 700
<i>Total Nonspendable</i>	<u>0</u>	<u>700</u>	<u>700</u>
<b>Restricted for</b>			
Summer Reading		7,600	7,600
Project Lite		6,251	6,251
Book Memorial		219,123	219,123
LPLS Foundation		42	42
Hageman		343,802	343,802
Stocker		27,507	27,507
Kurtz Temperance		1,702	1,702
Domonkas Building		47,776	47,776
<i>Total Restricted</i>	<u>0</u>	<u>653,803</u>	<u>653,803</u>
<b>Committed to</b>			
ALA Annual Conference	1,795		1,795
Bodnar Printing	61,958		61,958
Emerge Webhosting	36,000		36,000
Kuno Creative	14,000		14,000
Whitespace Marketing	53,500		53,500
Whitespace Media Purchase	83,124		83,124
<i>Total Committed</i>	<u>250,377</u>	<u>0</u>	<u>250,377</u>
<b>Assigned to</b>			
Encumbrances	290,529	300,857	591,386
North Ridgeville Branch	2,258,010		2,258,010
Avon Branch	592,252		592,252
Columbia Branch	283,237		283,237
Domonkas Branch	135,986		135,986
Lorain Libraries	1,150,601		1,150,601
Building & Repair		258,477	258,477
Capital Improvements		325,123	325,123
Subsequent Year Appropriations	1,921,353		1,921,353
<i>Total Assigned</i>	<u>6,631,968</u>	<u>884,457</u>	<u>7,516,425</u>
<b>Unassigned (Deficit)</b>	<u>1,332,255</u>	<u>0</u>	<u>1,332,255</u>
<i>Total Fund Balances</i>	<u><u>\$8,214,600</u></u>	<u><u>\$1,538,960</u></u>	<u><u>\$9,753,560</u></u>

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 13 – Subsequent Events**

In March, 2017, the Library's Manager of Fleets and Facilities recommended that the Library engage the services of the HVAC engineer from the 2016-2017 boiler replacement project, to provide plans and specifications for a phase II at the Main Library for the update and repair of the remainder of the Main Library's HVAC systems.

Lorain Public Library System, Lorain County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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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, 2015, 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 2015 are as follows:

In 2015, net position increased \$534,800, or 6.2 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund. The increase was a result of staff attrition and conservative spending.

The Library's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs, which is the Public Library fund ("PLF"). These receipts represent 96.7 percent of the total cash received for governmental activities in 2015. Property tax collections for 2015 increased from 2014. The increases were due to new construction. PLF receipts for 2015 increased by \$390,419 from 2014. The changes were due to the change in the State of Ohio's temporary increase of the PLF from 1.67 percent of the General Revenue Fund, to 1.70 percent for the FY2015-2016 state budget.

The net change in Governmental Fund balances from 2014 to 2015 was an increase of \$534,800, an increase of 6.2 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 cash basis of accounting.

#### **Report Components**

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

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

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

#### **Basis of Accounting**

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

Lorain Public Library System, Lorain County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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

### **Reporting the Library as a Whole**

The Statement of Net Position and the Statement of Activities reflect how the Library did financially during 2015, within the limitations of cash basis accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

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

### **Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds - not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are split into two categories: governmental and fiduciary.

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

Lorain Public Library System, Lorain County  
 Management's Discussion and Analysis  
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Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Library's programs.

**The Library as a Whole**

Table 1 provides a summary of the Library's net position for 2015 compared to 2014 on a cash basis:

(Table 1)

**Net Position**

	2015	2014
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$8,551,178	\$7,179,086
Cash and Cash Equivalents in Segregated Accounts	667,620	1,504,912
<b>Total Assets</b>	<b>\$9,218,798</b>	<b>\$8,683,998</b>
 <b>Net Position</b>		
Restricted for:		
Capital Projects	\$1,000,852	\$1,574,965
Permanent Fund Purpose	700	700
Other Purposes	5,156,611	4,746,088
Unrestricted	3,060,635	2,362,245
<b>Total Net Position</b>	<b>\$9,218,798</b>	<b>\$8,683,998</b>

As mentioned previously, net position of governmental activities increased \$534,800 or 6.2 percent during 2015. The primary reasons contributing to the decrease in cash balances are as follows:

- Budget reductions implemented in 2010, due to cutbacks in PLF funding, resulted in expense reductions in 2015.
- In 2015, the Library saw \$390,419 in additional PLF revenues than in 2014.

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

Table 2 reflects the changes in net position on a cash basis in 2015 and 2014 for governmental activities.

(Table 2)  
**Changes in Net Position**

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$132,747	\$132,643
Operating Grants and Contributions	80,011	114,265
Total Program Receipts	<u>212,758</u>	<u>246,908</u>
General Receipts:		
Property Taxes Levied for General Purposes	3,908,831	3,894,572
Intergovernmental Funds	4,629,199	4,233,843
Unrestricted Gifts	15	21
Earnings on Investments	26,069	18,727
Miscellaneous	56,929	66,786
Total General Receipts	<u>8,621,043</u>	<u>8,213,949</u>
Total Receipts	<u>8,833,801</u>	<u>8,460,857</u>
Disbursements:		
Library Services:		
Public Service and Programs	6,327,124	6,392,406
Collection Development and Processing	994,943	1,354,811
Support Services:		
Facilities Operation and Maintenance	432,504	470,368
Capital Outlay	544,430	469,832
Total Disbursements	<u>8,299,001</u>	<u>8,687,417</u>
Change in Net Position	534,800	(226,560)
Net Position, January 1	<u>8,683,998</u>	<u>8,910,558</u>
Net Position, December 31	<u>\$9,218,798</u>	<u>\$8,683,998</u>

Program receipts in 2015 and 2014 represent only 2.4 and 2.9 percent respectively, of total receipts and are primarily comprised of patron fines and fees, refunds and contributions, gifts and donations.



Lorain Public Library System, Lorain County  
Management's Discussion and Analysis  
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General receipts in 2015 and 2014, represent 97.6 and 97.1 percent, respectively, of the Library's total receipts, and of this amount, 45.3 and 47.4 percent were property taxes in 2015 and 2014. State grants and entitlements made up 53.7 and 51.5 percent respectively of the Library's general receipts in 2015 and 2014. Other receipts are insignificant and somewhat unpredictable revenue sources.

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

**Governmental Activities**

If you look at the Statement of Activities for 2015, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, and Capital Outlay which account for 76.2 percent, 12.0 percent, 5.2 percent and 6.6 percent of all Library disbursements respectively, in 2015. The next two columns of the statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net (Disbursements) Receipts and Changes in Net Position column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost of services is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Library Services:				
Public Service and Programs	(\$6,327,124)	(\$6,392,406)	(\$6,114,366)	(\$6,145,498)
Collection Development and Processing	(994,943)	(1,354,811)	(994,943)	(1,354,811)
Support Services:				
Facilities Operaton and Maintenance	(432,504)	(470,368)	(432,504)	(470,368)
Capital Outlay	(544,430)	(469,832)	(544,430)	(469,832)
Total Governmental Activities	<u>(\$8,299,001)</u>	<u>(\$8,687,417)</u>	<u>(\$8,086,243)</u>	<u>(\$8,440,509)</u>

The dependence upon local property taxes and PLF receipts is apparent as 97.4 percent of governmental activities in 2015, and 97.2 percent of governmental activities in 2014 were supported through these general receipts.

**The Library's Funds**

Total governmental funds had receipts of \$8,833,801 and disbursements of \$8,299,001 in 2015. The fund balance of the General Fund increased \$1,080,645 in 2015, as the result of the concern of future funding and the Library being conservative in its spending. General Fund receipts were greater than disbursements by \$705,645 in 2015, indicating that the budget containment efforts had a positive effect on operations in 2015. The budget reductions implemented in 2010, including workforce reduction, reduced purchases of supplies and library materials and renegotiation of service contracts. These cuts will not eliminate the need for additional funds (and/or additional cuts) in the future if the State of Ohio continues to reduce the PLF.

Lorain Public Library System, Lorain County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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**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 2015, the Library's General Fund experienced surpluses resulting from prudent management of spending, despite reductions in some of the Library's tax base.

Final disbursements for 2015 were budgeted at \$9,778,018 while actual disbursements were \$8,049,850. Budget reductions in 2010 were implemented to reduce the variance of disbursements over receipts. The Library has kept spending within budgeted amounts as demonstrated by the positive variances.

**Capital Assets**

Capital Assets

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

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and PLF funding. The State of Ohio's FY2014-FY2016 Budget has reduced the Public Library Funding (PLF) which was initiated as 2.22% of the State's General Revenue Fund, to a temporarily reduced 1.97% of the State's General Revenue Fund, to a temporary rate of 1.70 % of the State's General Revenue Fund. The Governor has proposed reducing the PLF to a permanent rate of 1.66% of the State's General Revenue Fund. The Library will have three levies needing to be voted in 2016. At least two of the levies will probably be renewed with additional millage. Increases would help to offset the loss of taxable properties from the tax rolls in several communities.

**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 6<sup>th</sup> Street, Lorain, Ohio 44052.

**Lorain Public Library System, Lorain County**

*Statement of Net Position - Cash Basis*

*December 31, 2015*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$8,551,178
Cash and Cash Equivalents in Segregated Accounts	<u>667,620</u>
<i>Total Assets</i>	<u><u>9,218,798</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$1,000,852
Permanent Fund Purpose:	
Nonexpendable	700
Other Purposes	5,156,611
Unrestricted	<u>3,060,635</u>
<i>Total Net Position</i>	<u><u>\$9,218,798</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, 2015

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
Library Services:				
Public Service and Programs	\$6,327,124	\$132,747	\$80,011	(\$6,114,366)
Collection Development and Processing	994,943			(994,943)
Support Services:				
Facilities Operation and Maintenance	432,504			(432,504)
Capital Outlay	544,430			(544,430)
<i>Total Governmental Activities</i>	<u>\$8,299,001</u>	<u>\$132,747</u>	<u>\$80,011</u>	<u>(8,086,243)</u>
		<b>General Receipts</b>		
				3,908,831
				Grants/Entitlements not Restricted to
				Specific Programs 4,629,199
				Unrestricted Gifts 15
				Earnings on Investments 26,069
				Miscellaneous 56,929
				<u>8,621,043</u>
				<i>Total General Receipts</i>
				Change in Net Position 534,800
				<i>Net Position, Beginning of Year</i>
				<u>8,683,998</u>
				<i>Net Position, End of Year</i>
				<u>\$9,218,798</u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2015*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,561,547	\$989,631	\$8,551,178
Cash and Cash Equivalents in Segregated Accounts		667,620	667,620
<i>Total Assets</i>	<u>\$7,561,547</u>	<u>\$1,657,251</u>	<u>\$9,218,798</u>
<b>Fund Balances</b>			
Nonspendable		\$700	\$700
Restricted		646,128	646,128
Committed	\$186,228		186,228
Assigned	5,430,715	1,010,423	6,441,138
Unassigned	1,944,604		1,944,604
<i>Total Fund Balances</i>	<u>\$7,561,547</u>	<u>\$1,657,251</u>	<u>\$9,218,798</u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities - Cash Basis  
December 31, 2015*

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<b>Total Governmental Fund Balances</b>	<u>\$9,218,798</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$9,218,798</u></u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Budget Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2015*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$3,908,831		\$3,908,831
Public Library	3,978,662		3,978,662
Intergovernmental	650,537		650,537
Patron Fines and Fees	132,747		132,747
Contributions, Gifts and Donations	5,015	\$75,011	80,026
Earnings on Investments	22,774	3,295	26,069
Miscellaneous	56,929		56,929
<i>Total Receipts</i>	<u>8,755,495</u>	<u>78,306</u>	<u>8,833,801</u>
<b>Disbursements</b>			
Current:			
Library Services:			
Public Services and Programs	6,269,036	31,088	6,300,124
Collection Development and Processing	978,082	43,861	1,021,943
Support Services:			
Facilities Operation and Maintenance	430,904	1,600	432,504
Capital Outlay	371,827	172,603	544,430
<i>Total Disbursements</i>	<u>8,049,849</u>	<u>249,152</u>	<u>8,299,001</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>705,646</u>	<u>(170,846)</u>	<u>534,800</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	375,000	5,331	380,331
Transfers Out		(380,331)	(380,331)
<i>Total Other Financing Sources (Uses)</i>	<u>375,000</u>	<u>(375,000)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,080,646	(545,846)	534,800
<i>Fund Balances Beginning of Year</i>	<u>6,480,901</u>	<u>2,203,097</u>	<u>8,683,998</u>
<i>Fund Balances End of Year</i>	<u><u>\$7,561,547</u></u>	<u><u>\$1,657,251</u></u>	<u><u>\$9,218,798</u></u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Reconciliation of the Statement of Receipts, Disbursements and Changes  
in Fund Balances - Governmental Funds to the Statement of Activities - Cash Basis  
For the Year Ended December 31, 2015*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<u>\$534,800</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$534,800</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, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$3,751,217	\$3,932,271	\$3,908,830	(\$23,441)
Public Library	4,065,676	4,065,676	3,978,662	(87,014)
Intergovernmental	579,309	579,309	650,537	71,228
Patron Fines and Fees	80,464	127,000	132,747	5,747
Contributions, Gifts and Donations	1,000	1,000	5,015	4,015
Earnings on Investments	14,890	14,890	22,775	7,885
Miscellaneous	6,600	6,600	56,929	50,329
<i>Total Receipts</i>	8,499,156	8,726,746	8,755,495	28,749
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	7,375,473	7,300,935	6,543,299	757,636
Collection Development and Processing	1,245,235	1,272,444	951,081	321,363
Support Services:				
Facilities Operation and Maintenance	558,066	599,576	430,904	168,672
Capital Outlay	570,642	605,063	371,826	233,237
<i>Total Disbursements</i>	9,749,416	9,778,018	8,297,110	1,480,908
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,250,260)	(1,051,272)	458,385	1,509,657
<b>Other Financing Sources (Uses)</b>				
Transfers In	375,000	375,000	375,000	0
<i>Total Other Financing Sources (Uses)</i>	375,000	375,000	375,000	0
<i>Net Change in Fund Balance</i>	(875,260)	(676,272)	833,385	1,509,657
<i>Unencumbered Fund Balance Beginning of Year</i>	6,291,953	6,291,953	6,291,953	0
Prior Year Encumbrances Appropriated	188,949	188,949	188,949	0
<i>Fund Balance End of Year</i>	\$5,605,642	\$5,804,630	\$7,314,287	\$1,509,657

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorian County**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*December 31, 2015*

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	Employee Wellness
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$9,833</u>
<i>Total Assets</i>	<u><u>\$9,833</u></u>
<b>Net Position</b>	
Expendable	
Held on behalf of Employees in Wellness and Healthcare	<u>\$9,833</u>
<i>Total Net Position</i>	<u><u>\$9,833</u></u>

See accompanying notes to the basic financial statements

## **Lorain Public Library System, Lorain County**

### *Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2015*

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#### **Note 1 – Description of the Library and Reporting Entity**

The Lorain Public Library System, Lorain County (“the Library”) was organized as a school district public library in 1901 under the laws of the State of Ohio. The Library’s service district encompasses the Lorain City School District, the North Ridgeville City School District, the Sheffield-Sheffield Lake City School District, the Avon Local School District, the Clearview Local School District, the Columbia Local School District, and the portions of the Firelands Local School District located in the Townships of Henrietta and Camden. The Library has its own seven-member Board of Trustees appointed by the Lorain City School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Chief Fiscal Officer.

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

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

Under the provisions of Statement No. 61 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of the Lorain City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization’s governing board; and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization’s resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

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

**Lorain Public Library System, Lorain County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2015*

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

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

**Note 2 - Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

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

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

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

***Fund Accounting***

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

## Lorain Public Library System, Lorain County

### Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

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**Governmental Funds** Governmental funds are those through which most governmental functions of the Library are financed. The following is the Library's major governmental fund:

**General Fund** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

### **Basis of Accounting**

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

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

### **Budgetary Process**

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

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

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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***Cash and Cash Equivalents***

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

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

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

During 2015, investments were limited to STAR Ohio. The STAR Ohio accounts were reported at the bank balance value at year-end.

STAR Ohio (the State Treasury Asset Reserve of 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 net asset value per share which is the price the investment could be sold for on June 30, 2015.

Interest earnings are allocated to Library funds according to State statutes. Interest receipts credited to the General Fund during 2015 was \$22,774, which included \$ 13,456 assigned from other Library funds.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Library are reported as restricted.

***Inventory and Prepaid Items***

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

***Capital Assets***

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

***Accumulated Leave***

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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***Employer Contributions to Cost-Sharing Pension Plans***

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

***Net Position***

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

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

***Fund Balance***

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

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

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. State Statute authorizes the Library Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Internal Activity**

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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 and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Change in Accounting Principle**

For 2015, the Library implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. These changes were incorporated in the Library's fiscal year 2015 note disclosures; however, there was no effect on beginning net position/fund balance.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$247,261 for the general fund at December 31, 2015.

Net Change in Fund Balance

	<u>General Fund</u>
Cash Basis	\$1,080,646
Adjustment for Encumbrances	<u>247,261</u>
Budget Basis	<u><u>\$833,385</u></u>



**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 5 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Interim deposits in duly authorized depositories of LPLS, provided those deposits are properly insured or collateralized as required by law.
4. Federally insured certificates of deposit issued through the Certificate of Deposit Account Registry Service (CDARS) by financial institutions located in the United States, provided that (i) the funds are initially invested by the library through a financial institution that is participating in CDARS and that is located and doing business in the State of Ohio; (ii) the financial institution in the State of Ohio receives reciprocal deposits from customers of other financial institutions in an amount equal to the funds initially invested by the jurisdiction; and (iii) each such certificate of deposit is in an amount that is eligible for full FDIC insurance coverage.
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. No-load money market mutual funds consisting of securities described in (1) or (2) of this Section and repurchase agreements secured by such obligations, provided all such securities described in this division are made only through eligible institutions.;
7. Overnight or term (not exceeding 30 days) repurchase agreements meeting the requirements of Section 135.14(E) of the Ohio Revised Code, with: (i) a bank or savings and loan association eligible to be a depository of public funds of Ohio subdivisions or (ii) a member of the National Association of Securities Dealers;
8. The State Treasurer's investment pool (STAR Ohio).

**Lorain Public Library System, Lorain County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2015*

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

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

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

***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2015, \$5,027,939 of the Library's bank balance of \$5,527,939 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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

***Investments***

As of December 31, 2015 the Library had the following investments:

	<u>Measurement Amount</u>	<u>Maturity</u>
STAR Ohio	\$3,732,551	Less Than One Year

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 6 – Grants in Aid, Property Taxes, and Tax Abatements**

***Grants in Aid***

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

***Property Taxes***

Property taxes include amounts levied against all real property and public utility property located in the Library's Districts. Property tax revenue received in 2015 for real and public utility property taxes represents collections of the 2014 taxes.

2015 real property taxes are levied after October 1, 2014 on the assessed values as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2014, was \$1.85 per \$1,000 of assessed value. The assessed values of real and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$1,936,774,570
Other	396,777,720
Public Utility Property	<u>51,784,770</u>
Total	<u>\$2,385,337,060</u>

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

**Lorain Public Library System, Lorain County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2015*

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**Note 7 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, 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	\$97,406,747
	General Liability	\$5,000,000/\$7,000,000
	Employee Benefits	\$5,000,000/\$7,000,000
	Employee Dishonesty	\$100,000
	Vehicle	\$5,000,000
	Library Officials	\$5,000,000/\$7,000,000

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

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

**Note 8 - Defined Benefit Pension Plan**

***OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM***

Plan Description – Library employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pensions with defined contribution features. While members (e.g. Library employees) may elect the member-directed plan, substantially all employee members are in OPERS' traditional plan; therefore the following disclosure focuses on the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Library's contractually required contribution was \$516,113 for year 2015.

**Note 9 – Post-Employment Benefits**

***OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

**Lorain Public Library System, Lorain County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2015*

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Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2015, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2015 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2015 was 4.5 percent.

Substantially all of the Library's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015 and 2014 was \$73,701 and \$74,654 respectively. The full amount has been contributed for both years.

**Note 10 – Related Organizations**

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

The Library has the following affiliated 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 11 – Fund Balances**

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

**Lorain Public Library System, Lorain County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2015*

Fund Balances	General Fund	Other Governmental Funds	Total
<b>Nonspendable</b>			
Permanent	\$ 0	\$ 700	\$ 700
<i>Total Nonspendable</i>	0	700	700
<b>Restricted for</b>			
Summer Reading		9,739	9,739
Project Lite		6,251	6,251
Book Memorial		218,777	218,777
LPLS Foundation		42	42
Hageman		329,319	329,319
Stocker		29,787	29,787
Kurtz Temperance		1,689	1,689
Domonkas Building		50,524	50,524
<i>Total Restricted</i>	0	646,128	646,128
<b>Committed to</b>			
Schill Lawncare	18,112		18,112
Top Notch Snow Plowing	477		477
Emerge Webhosting	24,000		24,000
Kuno Creative	14,000		14,000
Whitespace Marketing	50,000		50,000
Whitespace Media Purchase	79,639		79,639
<i>Total Committed</i>	186,228	0	186,228
<b>Assigned to</b>			
Encumbrances	247,261	9,571	256,832
North Ridgeville Branch	1,948,611		1,948,611
Avon Branch	509,683		509,683
Columbia Branch	214,985		214,985
Domonkas Branch	159,258		159,258
Lorain Libraries	1,234,886		1,234,886
Building & Repair		606,255	606,255
Capital Improvements		394,597	394,597
Subsequent Year Appropriations	1,116,031		1,116,031
<i>Total Assigned</i>	5,430,715	1,010,423	6,441,138
<b>Unassigned (Deficit)</b>	1,944,604	0	1,944,604
<i>Total Fund Balances</i>	\$7,561,547	\$1,657,251	\$9,218,798





# Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis 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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 25, 2017, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 25, 2017



# Dave Yost • Auditor of State

LORAIN PUBLIC LIBRARY SYSTEM

LORAIN COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 10, 2017