



Mary Taylor, CPA
Auditor of State

**LORAIN PUBLIC LIBRARY SYSTEM
LORAIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-wide Financial Statements - December 31, 2005:	
Statement of Net Assets – Modified Cash Basis – December 31, 2005	11
Statement of Activities – Modified Cash Basis – December 31, 2005.....	12
Fund Financial Statements – December 31, 2005:	
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds – December 31, 2005.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – December 31, 2005	14
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances – Governmental Funds – December 31, 2005	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities December 31, 2005	16
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) - General Fund – December 31, 2005.....	17
Statement of Fund Net Assets – Modified Cash Basis - Proprietary Fund – December 31, 2005	18
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets – Modified Cash Basis – Proprietary Fund – December 31, 2005	19
Notes to the Basic Financial Statements	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lorain Public Library System, Lorain County, Ohio, (the Library) as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lorain Public Library System, Lorain County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Library revised its financial presentation comparable to the requirements of *Governmental Accounting Standard No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

February 27, 2007

Lorain Public Library System
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Lorain Public Library System's, Lorain County, (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2005, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$999,394, or 16.3 percent. The fund most affected by the increase in cash and cash equivalents was the Building and Repair Fund due to reduced spending in 2005 as the projects have been completed along with increases in transfers from the General Fund.

The Library's general receipts are primarily property taxes and Library and Local Government Support Fund ("LLGSF"). These receipts represent 90.3% percent of the total cash received for governmental activities during the year. LLGSF tax receipts for 2005 changed very little compared to 2004 due to a freeze of LLGSF by the Ohio Government.

The Rental Fund, the Library's lone business activity had an operating loss (before transfers-out) of \$5,506 and was closed out in 2005. Although rentals were discontinued in 2002, expenditures were still made to maintain the underlying property. The property was sold in 2005.

The net change in General Fund balance was \$85,188. After transfers to the Building and Repair Fund, the net change was a decrease of 2.8 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 modified cash basis of accounting.

Report Components

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

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

Lorain Public Library System
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Library at year end.

The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include patron fines and fees, services to other libraries, meeting room rentals and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Library's general receipts.

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

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

Lorain Public Library System
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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

Business-type activity - The Library had one business-type activity, the provision of property rentals. Business-type activities had been financed by a fee charged to the customers receiving the service. These services were discontinued in 2002, and the final financial activities culminated in 2005.

Reporting the Library's Most Significant Funds

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

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

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

Lorain Public Library System
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2005 compared to 2004.

Net Assets (Table 1)						
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Equity in Pooled Cash and Cash Equivalents	\$4,426,850	\$3,877,192		\$74,974	\$4,426,850	\$3,952,166
Investments	2,707,798	2,258,062			2,707,798	2,258,062
<i>Total Assets</i>	<u>\$7,134,648</u>	<u>\$6,135,254</u>		<u>\$74,974</u>	<u>\$7,134,648</u>	<u>\$6,210,228</u>
Net Assets						
Restricted for:						
Capital Projects	\$3,197,274	\$2,113,170			\$3,197,274	\$2,113,170
Debt Service	409,720	395,975			409,720	395,975
Permanent Fund Purpose						
Nonexpendable	2,095	2,032			2,095	2,032
Other Purposes	564,272	577,603			564,272	577,603
Unrestricted	<u>2,961,287</u>	<u>3,046,474</u>		<u>74,974</u>	<u>2,961,287</u>	<u>3,121,448</u>
<i>Total Net Assets</i>	<u>\$7,134,648</u>	<u>\$6,135,254</u>		<u>\$74,974</u>	<u>\$7,134,648</u>	<u>\$6,210,228</u>

Table 2 reflects the changes in net assets for 2005 compared to 2004.

Change in Net Assets (Table 2)						
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$167,664	\$158,939			\$167,664	\$158,939
Operating Grants and Contributions	110,398	62,616			110,398	62,616
Capital Grants and Contributions		55,000			-	55,000
Total Program Receipts	<u>\$278,062</u>	<u>\$276,555</u>			<u>\$278,062</u>	<u>\$276,555</u>

Lorain Public Library System
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General Receipts:

Property and Other Local Taxes	3,169,341	2,725,609			3,169,341	2,725,609
Grants and Entitlements Not Restricted to Specific Programs	4,961,534	4,949,243			4,961,534	4,949,243
Unrestricted Gifts and Contributions	1,058	32,305			1,058	32,305
Interest	218,059	81,558	1,631	978	219,690	82,536
Miscellaneous	<u>372,540</u>	<u>5,831</u>			<u>372,540</u>	<u>5,831</u>
Total General Receipts	<u>8,722,532</u>	<u>7,794,546</u>	<u>1,631</u>	<u>978</u>	<u>8,724,163</u>	<u>7,795,524</u>
 Total Receipts	 <u>9,000,594</u>	 <u>8,071,101</u>	 <u>1,631</u>	 <u>978</u>	 <u>9,002,225</u>	 <u>8,072,079</u>

Disbursements:

Library Services:						
Public Services and Programs	4,541,486	3,423,418			4,541,486	3,423,418
Collection Development and Processing	1,696,275	1,764,837			1,696,275	1,764,837
Support Services:						
Facilities Operation and Maintenance	215,064	644,470	4,253	4,884	219,317	649,354
Information Services	433,313	200,381			433,313	200,381
Business Administration	299,192	721,102	1,253	800	300,445	721,902
Capital Outlay	408,419	302,412			408,419	302,412
Debt Service:						
Principal Retirement	375,000	365,000			375,000	365,000
Interest and Fiscal Charges	<u>103,550</u>	<u>111,945</u>			<u>103,550</u>	<u>111,945</u>
Total Disbursements	<u>8,072,299</u>	<u>7,533,565</u>	<u>5,506</u>	<u>5,684</u>	<u>8,077,805</u>	<u>7,539,249</u>
Transfers In / Transfers Out	71,099		(71,099)			
Increase (Decrease) in Assets	999,394	537,536	(74,974)	(4,706)	924,420	532,830
Net Assets, January 1, 2005 and 2004	<u>6,135,254</u>	<u>5,597,718</u>	<u>74,974</u>	<u>79,680</u>	<u>6,210,228</u>	<u>5,677,398</u>
Net Assets, December 31, 2005 and 2004	<u>7,134,648</u>	<u>6,135,254</u>	<u>74,974</u>	<u>74,974</u>	<u>7,134,648</u>	<u>6,210,228</u>

Program receipts represent only 3.1 percent of total receipts and are primarily comprised of patron fines and fees, and contributions, gifts and donations.

Lorain Public Library System
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General receipts represent 96.9 percent of the Library's total receipts, and of this amount, 36.3 percent are local taxes. State grants and entitlements make up 56.8 percent of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for public service programs, collection development and processing, facilities operation and maintenance, information services, business administration, as well as capital outlay represent the major costs of running the Library.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration and Capital Outlay which account for 56.3 percent, 21.0 percent, 2.7 percent, 5.4 percent, 3.7 percent and 5.1 percent, respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net (Disbursements) Receipts and changes in Net Assets column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Governmental Activities (Table 3)

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Library Services:				
Public Services and Programs	(\$4,541,486)	(\$3,423,418)	(\$4,277,318)	(\$3,210,753)
Collection Development and Processing	(1,696,275)	(1,764,837)	(1,682,381)	(1,755,947)
Support Services:				
Facilities Operation and Maintenance	(215,064)	(644,470)	(215,064)	(644,470)
Information Services	(433,313)	(200,381)	(433,313)	(200,381)
Business Administration	(299,192)	(721,102)	(299,192)	(721,102)
Capital Outlay	(408,419)	(302,412)	(408,419)	(247,412)
Debt Service:				
Principal Retirement	(375,000)	(365,000)	(375,000)	(365,000)
Interest and Fiscal Charges	(103,550)	(111,945)	(103,550)	(111,945)

Lorain Public Library System
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Total Governmental Activities (\$8,072,299) (\$7,533,565) (\$7,794,237) (\$7,257,010)
The library relies heavily upon property taxes and LLGSF receipts to support its governmental activities.

Business-type Activities

The rental fund is used to account for expenditure transactions related to property the Library had previously rented. The final piece of property was sold in 2005 and the balance remaining in the fund was transferred to the General Fund.

The Library's Funds

Total governmental funds had receipts of \$8,635,925 and disbursements of \$8,072,299. The fund balance of the General Fund increased \$1,090,918 before other financing sources (uses), as the result of the concern of future funding and the Library being conservative in its spending. Due to increased costs for salaries and benefits, utilities, building maintenance, and library materials, the Library will have to raise its millage in some of the communities it serves because it is not achieving anticipated growth in LLGSF receipts. The Library has made significant reductions in disbursements, and any further reductions will require that the Library reduce service hours available to the public in some of the communities it serves.

General Fund Budgeting Highlights

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

During fiscal year 2005, the Library amended its general fund budget for transfers (out). Final disbursements and transfers were budgeted at \$10,703,251 while actual disbursements and transfers were \$9,304,031.

Debt Administration

At December 31, 2005, the Library had \$2,515,000 of outstanding general obligation notes issued for constructing a branch library in the City of North Ridgeville, Ohio; improving and construction an addition to the branch library located in the Township of Columbia, Ohio; and improving and renovating existing library facilities. For further information regarding the Library's debt, refer to Note 9 to the basic financial statements.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and LLGSF funding. Three of the library's property tax levies will be ending in 2006. Levy issues are planned for the May primary in the Lorain City School District, the City of Sheffield Lake and the City of Avon.

Lorain Public Library System
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Contacting the Library's Financial Management

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

Lorain Public Library System
Lorain County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,426,850	\$0	\$4,426,850
Investments	2,707,798		2,707,798
<i>Total Assets</i>	<u>\$7,134,648</u>	<u>\$0</u>	<u>\$7,134,648</u>
Net Assets			
Restricted for:			
Capital Projects	3,197,274		\$3,197,274
Debt Service	409,720		409,720
Other Purposes	566,367		566,367
Unrestricted	2,961,287		2,961,287
<i>Total Net Assets</i>	<u>7,134,648</u>	<u>\$0</u>	<u>\$7,134,648</u>

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities							
Library Services:							
Public Service and Programs	4,541,486	167,664	96,504		(4,277,318)		(4,277,318)
Collection Development and Processing	1,696,275		13,894		(1,682,381)		(1,682,381)
Support Services:							
Facilities Operation and Maintenance	215,064				(215,064)		(215,064)
Information Services	433,313				(433,313)		(433,313)
Business Administration	299,192				(299,192)		(299,192)
Capital Outlay	408,419				(408,419)		(408,419)
Debt Service:							
Principal Retirement	375,000				(375,000)		(375,000)
Interest and Fiscal Charges	103,550				(103,550)		(103,550)
Total Governmental Activities	<u>\$8,072,299</u>	<u>\$167,664</u>	<u>\$110,398</u>	<u>\$0</u>	<u>(\$7,794,237)</u>		<u>(\$7,794,237)</u>
Business Type Activities							
Support Services:							
Facilities Operation and Maintenance	\$4,253					(\$4,253)	(\$4,253)
Business Administration	1,253					(\$1,253)	(1,253)
Total Business-Type Activities	<u>5,506</u>					<u>(5,506)</u>	<u>(5,506)</u>
Total Primary Government	<u>\$8,077,805</u>	<u>\$167,664</u>	<u>\$110,398</u>	<u>\$0</u>	<u>(\$7,794,237)</u>	<u>(\$5,506)</u>	<u>(\$7,799,743)</u>
General Receipts							
Property Taxes Levied for General Purposes					3,169,341		3,169,341
Unrestricted Gifts and Contributions					1,058		1,058
Grants and Entitlements not Restricted to Specific Programs					4,961,534		4,961,534
Interest					218,059	1,631	219,690
Miscellaneous					372,540		372,540
Total General Receipts before Transfers					<u>8,722,532</u>	<u>1,631</u>	<u>8,724,163</u>
Transfers					71,099	(71,099)	0
Total General Receipts, Special Item, Contributions, Transfers and Extraordinary Items					<u>8,793,631</u>	<u>(69,468)</u>	<u>8,724,163</u>
Change in Net Assets					999,394	(74,974)	924,420
Net Assets Beginning of Year					<u>6,135,254</u>	<u>74,974</u>	<u>6,210,228</u>
Net Assets End of Year					<u>\$7,134,648</u>	<u>\$0</u>	<u>7,134,648</u>

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,634,902	\$238,884	\$1,553,064	\$4,426,850
Investments	326,385	2,278,282	103,131	2,707,798
<i>Total Assets</i>	<u>\$2,961,287</u>	<u>\$2,517,166</u>	<u>\$1,656,195</u>	<u>\$7,134,648</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	359,761	\$321	15,941	\$376,023
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	2,601,526			2,601,526
Special Revenue Funds			559,524	559,524
Debt Service Fund			409,720	409,720
Capital Projects Funds		2,516,845	668,915	3,185,760
Permanent Funds			2,095	2,095
<i>Total Fund Balances</i>	<u>\$2,961,287</u>	<u>\$2,517,166</u>	<u>\$1,656,195</u>	<u>\$7,134,648</u>

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2005

Total Governmental Fund Balances	<u>\$7,134,648</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$7,134,648</u></u>

See accompanying notes to the basic financial statements

Lorain Public Library System

Lorain County

Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2005

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$3,169,341			\$3,169,341
Intergovernmental	4,961,534			4,961,534
Patron Fines and Fees	149,664			149,664
Services Provided to Other Entities	18,000			18,000
Contributions, Gifts and Donations	1,215		110,241	111,456
Earnings on Investments	115,689	48,568	53,802	218,059
Miscellaneous	7,871			7,871
<i>Total Receipts</i>	<u>8,423,314</u>	<u>48,568</u>	<u>164,043</u>	<u>8,635,925</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	4,486,535	795	54,156	4,541,486
Collection Development and Processing	1,665,984		30,291	1,696,275
Support Services:				
Facilities Operation and Maintenance	215,064			215,064
Information Services	433,313			433,313
Business Administration	299,192			299,192
Capital Outlay	232,308	48,499	127,612	408,419
Debt Service:				
Principal Retirement			375,000	375,000
Interest and Fiscal Charges			103,550	103,550
<i>Total Disbursements</i>	<u>7,332,396</u>	<u>49,294</u>	<u>690,609</u>	<u>8,072,299</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,090,918</u>	<u>(726)</u>	<u>(526,566)</u>	<u>563,626</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	364,669			364,669
Transfers In	71,099	1,133,324	478,550	1,682,973
Transfers Out	(1,611,874)			(1,611,874)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,176,106)</u>	<u>1,133,324</u>	<u>478,550</u>	<u>435,768</u>
<i>Net Change in Fund Balances</i>	(85,188)	1,132,598	(48,016)	999,394
<i>Fund Balances Beginning of Year</i>	<u>3,046,475</u>	<u>1,384,568</u>	<u>1,704,211</u>	<u>6,135,254</u>
<i>Fund Balances End of Year</i>	<u>\$2,961,287</u>	<u>\$2,517,166</u>	<u>\$1,656,195</u>	<u>\$7,134,648</u>

See accompanying notes to the basic financial statements

Lorain Public Library System

Lorain County

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities*

For the Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds	<u>\$999,394</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$999,394</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$3,519,857	\$2,956,805	\$3,169,341	\$212,536
Intergovernmental	4,758,944	\$4,927,139	4,961,534	34,395
Patron Fines and Fees	110,600	134,200	149,664	15,464
Services Provided to Other Entities	18,000	18,000	18,000	0
Contributions, Gifts and Donations	0	0	1,215	1,215
Earnings on Investments	30,460	94,610	115,689	21,079
Miscellaneous	3,820	3,820	7,871	4,051
<i>Total receipts</i>	8,441,681	8,134,574	8,423,314	288,740
Disbursements				
Current:				
Library Services:				
Public Service and Programs	5,538,930	5,538,930	4,612,451	926,479
Collection Development and Processing	2,101,282	2,101,282	1,809,889	291,393
Support Services:				
Facilities Operation and Maintenance	288,926	288,926	251,040	37,886
Information Services	501,749	501,749	451,301	50,448
Business Administration	348,196	348,196	317,180	31,016
Capital Outlay	312,294	312,294	250,296	61,998
<i>Total Disbursements</i>	9,091,377	9,091,377	7,692,157	1,399,220
<i>Excess of Receipts Over (Under) Disbursements</i>	(649,696)	(956,803)	731,157	1,687,960
Sale of Capital Assets	0	364,668	364,669	1
Transfers In		71,099	71,099	0
Transfers Out	(1,176,106)	(1,611,874)	(1,611,874)	0
<i>Total Other Financing Sources (Uses)</i>	(1,176,106)	(1,176,107)	(1,176,106)	1
<i>Net Change in Fund Balance</i>	(1,825,802)	(2,132,910)	(444,949)	1,687,961
<i>Fund Balance Beginning of Year</i>	2,620,646	2,620,646	2,620,646	
<i>Prior Year Encumbrances Appropriated</i>	425,829	425,829	425,829	
<i>Fund Balance End of Year</i>	\$1,220,673	\$913,565	\$2,601,526	\$1,687,961

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Fund
December 31, 2005

	Business-Type Activity
	Enterprise Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$0
<i>Total Assets</i>	\$0
Net Assets	
Unrestricted:	0
<i>Total Net Assets</i>	\$0

See accompanying notes to the basic financial statements

Lorain Public Library System

Lorain County

Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets-

Modified-Cash Basis

Proprietary Fund

For the Year Ended December 31, 2005

	Business-Type Activity
	<u>Enterprise Fund</u>
Operating revenues:	
Sales/charges for services	\$0
<i>Total Operating Revenues</i>	<u>0</u>
Operating expenses:	
Purchased Services	5,506
<i>Total Operating Disbursements</i>	<u>5,506</u>
<i>Operating income (loss)</i>	<u>(5,506)</u>
Nonoperating revenues:	
Interest revenue	1,631
<i>Total nonoperating revenues</i>	<u>1,631</u>
<i>Transfers Out</i>	(71,099)
<i>Net Change in net assets</i>	(74,974)
<i>Net assets at beginning of year</i>	<u>74,974</u>
<i>Net assets at end of year</i>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

Lorain Public Library System
Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 1 - DESCRIPTION OF THE ENTITY

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

The Library's service district encompasses the Lorain City School District, the North Ridgeville City School District, the Sheffield-Sheffield Lake City School District, the Avon Local School District, the Clearview Local School District, the Columbia Local School District, and the portions of the Firelands Local School District located in the Townships of Henrietta and Camden.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

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

B. Fund Accounting

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

Lorain Public Library System
Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

Enterprise Fund The Enterprise Fund accounts for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Library utilizes an Enterprise Fund to account for expenditure transactions related to property that the Library had previously rented. The property was sold in 2005.

C. Basis of Presentation

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

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

The statement of net assets presents the financial condition of the governmental activities of the Library at December 31, 2005. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Library's governmental activities. Program Cash Receipts include monies provided by the recipient of the services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Library, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of the Library.

Lorain Public Library System
Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Cash and Investments

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

E. Inventory

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

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

H. Net Assets

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

NOTE 3 – 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 for the general fund presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis is (are) outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrance outstanding at year end (budgetary basis) amounted to \$359,761.

Lorain Public Library System
Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. 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, 2005
 (Continued)

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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 fiscal year end 2005, the carrying amount of the Library’s deposits was \$2,714,049 and the bank balance was \$2,820,831. Although the securities were held by the pledging financial institutions’ trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Library to a successful claim by the FDIC.

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, 2005 the Library had the following investments:

	Carrying Value	Maturity
December 31, 2005		
STAR Ohio	\$4,420,599	Less Than One Year

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

Lorain Public Library System
Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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.

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

NOTE 5 – GRANTS-IN-AID AND PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Library's Districts. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Library operations for the years ended December 31, 2005 was \$1.45 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based is as follows:

Lorain Public Library System
 Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2005
 (Continued)

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

Real Property	
Residential/Agricultural	1,670,150,040
Other	317,723,470
Public Utility Property	52,640,210
Mobile Home	820,070
Tangible Personal Property	145,503,368
Total	<u>\$2,186,837,158</u>

NOTE 6 - RETIREMENT SYSTEMS

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2005 was \$446,774. The full amount has been contributed for 2005.

Lorain Public Library System
Lorain County
Notes To The Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

NOTE 7 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans as of December 31, 2005 was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits was \$131,889. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

NOTE 8 - RISK MANAGEMENT

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

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

Lorain Public Library System
 Lorain County
Notes To The Basic Financial Statements
 For the Year Ended December 31, 2005
 (Continued)

NOTE 9 - LONG TERM OBLIGATIONS

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

Debt outstanding at December 31, 2005 was as follows:

	Principal Outstanding 12/31/2004	Additions	Reductions	Outstanding Balance 12/31/2005
Governmental Activities				
General Obligation Note:				
Construction & Improvements	\$2,890,000		\$375,000	\$2,515,000

Principal and interest requirements to retire the general obligation note outstanding at December 31, 2005, is as follows:

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

Year	Principal	Interest	Total
2006	\$385,000	\$93,050	\$478,050
2007	395,000	81,115	476,115
2008	410,000	67,685	477,685
2009	425,000	52,823	477,823
2010	440,000	36,460	476,460
2011	460,000	18,860	478,860
TOTAL	\$2,515,000	\$349,993	\$2,864,993

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, business-type 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 year ended December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated February 27, 2007, wherein we noted the Library revised its financial statement presentation comparable to the requirements of Government Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

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

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

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

Mary Taylor, CPA
Auditor of State

February 27, 2007



Mary Taylor, CPA
Auditor of State

LORAIN PUBLIC LIBRARY SYSTEM

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 27, 2007**