



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY  
DECEMBER 31, 2020 AND 2019**

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# OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12<sup>th</sup> Floor  
615 Superior Avenue, NW  
Cleveland, Ohio 44113-1801  
(216) 787-3665 or (800) 626-2297  
NortheastRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Shaker Heights Public Library  
Cuyahoga County  
16500 Van Aken Boulevard  
Shaker Heights, Ohio 44120

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 Shaker Heights Public Library, Cuyahoga County, Ohio (the Library), as of and for the years ended December 31, 2020 and 2019, 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 such 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 Library, as of December 31, 2020 and 2019, 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.

**Emphasis of Matter**

As discussed in Note 14 to the financial statements for the year ended December 31, 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Library. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

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 August 30, 2021, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

August 30, 2021

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*Unaudited*

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The management's discussion and analysis of the Shaker Heights Public Library ("the Library") financial performance provides an overview of the Library's financial activities for the year ended December 31, 2020, within the limitations of the Library's cash basis of 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 2020 are as follows:

- General library services disbursements decreased from 2019 due to careful cost monitoring of expenses.
- The Library's cash balances decreased as receipts were outpaced by disbursements for 2020. This was due to increased capital outlay expenses.
- The Library continued the payment of the 2019 Certificates of Participation. The balance outstanding at year end was \$10,140,000.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) 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 purpose. These statements present financial information by fund, presenting the major funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the governmental-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 the financial statements on a cash basis of accounting. This approach 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.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
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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 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 2020, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances 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 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, and the need for continued growth in the major local revenue sources such as property taxes and the Public Library Fund (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, and the 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 restricted use funds are being spent for their intended purposes. All of the Library's funds are accounted for as governmental funds.

*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 major governmental funds are presented on the financial statements in separate columns. The Library's major governmental funds are the general fund and the facilities capital projects fund. 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 titled "Other Governmental Funds." The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
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**The Library as a Whole**

Table 1 provides a summary of the Library's net position for 2020 compared to 2019 on a cash basis:

(Table 1)  
**Net Position**

	Governmental Activities		
	2020	2019	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$14,701,800	\$15,182,473	(\$480,673)
<b>Net Position</b>			
Restricted for:			
Capital Outlay	\$8,018,619	\$10,177,378	(\$2,158,759)
Debt Service	4,052	382,637	(378,585)
Library Services	18,521	22,085	(3,564)
Unrestricted	6,660,608	4,600,373	2,060,235
<b>Total Net Position</b>	<b>\$14,701,800</b>	<b>\$15,182,473</b>	<b>(\$480,673)</b>

The decrease in net position is due to increased capital outlay expense related to the Main Library renovation.

Table 2 reflects the changes in net position in 2020 compared to 2019 on a cash basis:

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

	Governmental Activities		
	2020	2019	Change
<b>Receipts:</b>			
<b><i>Program Receipts</i></b>			
Charges for Services and Sales	\$42,580	\$101,953	(\$59,373)
Operating Grants and Contributions	52,996	33,720	19,276
<b><i>Total Program Receipts</i></b>	<b>95,576</b>	<b>135,673</b>	<b>(40,097)</b>
<b><i>General Receipts</i></b>			
Property Taxes	4,232,886	4,273,914	(41,028)
Grants and Entitlements not Restricted to Specific Programs	2,007,158	2,014,689	(7,531)
Unrestricted Contributions and Donations	1,462	1,638	(176)
Interest	110,617	217,973	(107,356)
Miscellaneous	62,917	19,944	42,973
Certificates of Participation Issued	0	10,400,000	(10,400,000)
Premium on Certificates of Participation Issued	0	750,682	(750,682)
<b><i>Total General Receipts</i></b>	<b>6,415,040</b>	<b>17,678,840</b>	<b>(11,263,800)</b>
<b><i>Total Receipts</i></b>	<b>\$6,510,616</b>	<b>\$17,814,513</b>	<b>(\$11,303,897)</b>

(continued)

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*Unaudited*

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

	Governmental Activities		
	2020	2019	Change
<b>Disbursements:</b>			
Current:			
General Library Services	\$3,881,402	\$4,479,535	\$598,133
Capital Outlay	2,444,637	483,826	(1,960,811)
Debt Service:			
Principal Retirement	260,000	175,608	(84,392)
Interest and Fiscal Charges	405,250	196,524	(208,726)
<i>Total Disbursements</i>	<u>6,991,289</u>	<u>5,335,493</u>	<u>(1,655,796)</u>
Change in Net Position	(480,673)	12,479,020	(12,959,693)
Net Position Beginning of Year	<u>15,182,473</u>	<u>2,703,453</u>	<u>12,479,020</u>
Net Position End of Year	<u><u>\$14,701,800</u></u>	<u><u>\$15,182,473</u></u>	<u><u>(\$480,673)</u></u>

Property taxes are the majority of total receipts. Property tax revenue was fairly consistent with the prior year.

Expenses increased due to an increase in capital outlay disbursements as a result of the ongoing \$10.4 million renovation project at the Main Library. This increase was partially offset due to a decrease in general library services.

**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 general library services and capital outlay. The next two columns of the statement, entitled "Program Cash Receipts," identify amounts paid by those 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)" 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.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*Unaudited*

(Table 3)

**Governmental Activities**

	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Disbursements:</b>				
General Library Services	\$3,881,402	\$3,785,826	\$4,479,535	\$4,343,862
Capital Outlay	2,444,637	2,444,637	483,826	483,826
Debt Service:				
Principal Retirement	260,000	260,000	175,608	175,608
Interest and Fiscal Charges	405,250	405,250	196,524	196,524
<i>Total Disbursements</i>	<u>\$6,991,289</u>	<u>\$6,895,713</u>	<u>\$5,335,493</u>	<u>\$5,199,820</u>

**The Library's Funds**

Total governmental funds had receipts in 2020 of \$6,510,616 and disbursements of \$6,991,289. The fund balance of the general fund increased by \$1,571,702 in 2020, primarily due to the decreased general library services expense.

**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 2020, the Library's general fund budget was stable. Final disbursements for 2020 were budgeted at \$5,359,847, while actual disbursements were \$4,845,712. Maintaining actual disbursements below projected levels allowed the Library to maximize increases to the general fund during this period.

**Debt Administration**

At December 31, 2020, the Library had one 2019 Certificates of Participation debt issuance, which will be repaid over twenty-five years. See Note 11 to the basic financial statements for additional information related to long-term debt activity.

**Current Issues**

Throughout its history, Shaker Heights Public Library's goal has been to maximize the Library's return on investment and deliver the best possible library services at the lowest possible cost. As thoughtful stewards of taxpayer dollars, we have worked hard to minimize what the Library asks of taxpayers.

The Library is in the midst of a \$10.4 million renovation of the Main Library. Substantial completion of phase 1 of construction is projected to be March 17, 2021. The entire project should be completed in October 2021.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*Unaudited*

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As a result of the COVID-19 pandemic, the Library is temporarily operating on reduced hours. Normal operating hours will be resumed as circumstances allow.

**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 Susan Ritchey, Fiscal Officer, Shaker Heights Public Library, 16500 Van Aken Boulevard, Shaker Heights, Ohio 44120.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2020*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$14,701,800</u>
<b>Net Position</b>	
Restricted for:	
Capital Outlay	\$8,018,619
Debt Service	4,052
Library Services	18,521
Unrestricted	<u>6,660,608</u>
<i>Total Net Position</i>	<u>\$14,701,800</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2020*

	Program Cash Receipts		Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Receipts and Changes in Net Position
		Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>			
Current:			
General Library Services	\$3,881,402	\$42,580	\$52,996
Capital Outlay	2,444,637	0	0
Debt Service:			
Principal Retirement	260,000	0	0
Interest and Fiscal Charges	405,250	0	0
<i>Total Governmental Activities</i>	<u>\$6,991,289</u>	<u>\$42,580</u>	<u>\$52,996</u>
<b>General Receipts</b>			
Property Taxes Levied for General Purposes			4,232,886
Grants and Entitlements not Restricted to Specific Programs			2,007,158
Unrestricted Contributions and Donations			1,462
Interest			110,617
Miscellaneous			62,917
<i>Total General Receipts</i>			<u>6,415,040</u>
Change in Net Position			(480,673)
<i>Net Position Beginning of Year</i>			<u>15,182,473</u>
<i>Net Position End of Year</i>			<u>\$14,701,800</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2020*

	General	Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,817,647	\$8,018,619	\$1,865,534	\$14,701,800
<b>Fund Balances</b>				
Restricted	\$0	\$8,018,619	\$22,573	\$8,041,192
Committed	0	0	1,842,961	1,842,961
Assigned	41,388	0	0	41,388
Unassigned	4,776,259	0	0	4,776,259
<i>Total Fund Balances</i>	\$4,817,647	\$8,018,619	\$1,865,534	\$14,701,800

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2020*

	General	Facilities	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$4,232,886	\$0	\$0	\$4,232,886
Intergovernmental	2,007,158	0	51,561	2,058,719
Patron Fines and Fees	19,144	0	0	19,144
Rentals	23,436	0	0	23,436
Contributions and Donations	1,462	0	1,435	2,897
Interest	37,558	71,631	1,428	110,617
Miscellaneous	54,382	0	8,535	62,917
<i>Total Receipts</i>	<u>6,376,026</u>	<u>71,631</u>	<u>62,959</u>	<u>6,510,616</u>
<b>Disbursements</b>				
Current:				
General Library Services	3,823,436	0	57,966	3,881,402
Capital Outlay	5,638	2,230,390	208,609	2,444,637
Debt Service:				
Principal Retirement	0	0	260,000	260,000
Interest and Fiscal Charges	0	0	405,250	405,250
<i>Total Disbursements</i>	<u>3,829,074</u>	<u>2,230,390</u>	<u>931,825</u>	<u>6,991,289</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,546,952</u>	<u>(2,158,759)</u>	<u>(868,866)</u>	<u>(480,673)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	975,250	975,250
Transfers Out	(975,250)	0	0	(975,250)
<i>Total Other Financing Sources (Uses)</i>	<u>(975,250)</u>	<u>0</u>	<u>975,250</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,571,702	(2,158,759)	106,384	(480,673)
<i>Fund Balances Beginning of Year</i>	<u>3,245,945</u>	<u>10,177,378</u>	<u>1,759,150</u>	<u>15,182,473</u>
<i>Fund Balances End of Year</i>	<u>\$4,817,647</u>	<u>\$8,018,619</u>	<u>\$1,865,534</u>	<u>\$14,701,800</u>

See accompanying notes to the basic financial statements



**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2020*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property Taxes	\$4,105,026	\$3,981,376	\$4,232,886	\$251,510
Intergovernmental	2,011,870	2,011,870	2,007,158	(4,712)
Patron Fines and Fees	21,450	21,450	19,144	(2,306)
Rentals	28,680	28,680	23,436	(5,244)
Contributions and Donations	775	775	1,462	687
Interest	62,700	62,700	37,558	(25,142)
Miscellaneous	13,625	13,625	54,382	40,757
<i>Total Receipts</i>	<u>6,244,126</u>	<u>6,120,476</u>	<u>6,376,026</u>	<u>255,550</u>
<b>Disbursements</b>				
Current:				
General Library Services	4,931,331	4,374,082	3,864,624	509,458
Capital Outlay	10,515	10,515	5,838	4,677
<i>Total Disbursements</i>	<u>4,941,846</u>	<u>4,384,597</u>	<u>3,870,462</u>	<u>514,135</u>
<i>Excess of Receipts Over Disbursements</i>	1,302,280	1,735,879	2,505,564	769,685
<b>Other Financing Uses</b>				
Transfers Out	(975,250)	(975,250)	(975,250)	0
<i>Net Change in Fund Balance</i>	327,030	760,629	1,530,314	769,685
<i>Fund Balance Beginning of Year</i>	3,190,178	3,190,178	3,190,178	0
Prior Year Encumbrances Appropriated	55,767	55,767	55,767	0
<i>Fund Balance End of Year</i>	<u>\$3,572,975</u>	<u>\$4,006,574</u>	<u>\$4,776,259</u>	<u>\$769,685</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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

The Shaker Heights Public Library, Cuyahoga County, (“the Library”) was organized as a school district public library in 1937 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Shaker Heights City School District’s 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, 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 3375.41 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 Fiscal Officer.

The Library is fiscally independent of the Shaker Heights City School District (“School District”) although the School District serves in a ministerial capacity as the taxing authority 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 Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the School District.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board (“GASB”), “The Financial Reporting Entity,” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”, and GASB Statement No. 61, “The Financial Reporting Entity Omnibus – an Amendment of GASB Statement No. 14 and No. 34”, the Library is considered to be a related organization of the Shaker Heights 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 approves the budget, the issuance of debt of the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Library. The Library does not have any component units.

The Friends of the Shaker Heights Public Library, Incorporated is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Library does not receive amounts from the Friends of the Shaker Heights Public Library, Incorporated that the State would consider significant; 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.

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

As discussed further in Note 2, the financial statements of the Library have been prepared on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (“GAAP”). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board 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 as follows.

***Basis of Presentation***

The Library’s basic financial statements consist of government-wide statements, including a statement of net position, 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. These statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type; however, the Library has only governmental activities; therefore, no business-type activities are presented.

The statement of net position presents the cash 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. 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. 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. Non-major funds are aggregated and presented in a single column.

***Fund Accounting***

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

***Governmental Funds*** Governmental funds are financed primarily from taxes, intergovernmental receipts, and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library’s major governmental funds.

***General Fund*** The general fund accounts for and reports all financial resources except those required to be 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.

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**Facilities Fund** The facilities fund accounts for and reports restricted monies set aside by the Board of Library Trustees specifically for major capital improvements that include the renovation and reconstruction of the Library's main branch.

The other governmental funds of the Library account for receipts whose use is restricted or committed to a particular purpose.

***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.

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 are legally required to be budgeted and appropriated. The budgetary process is prescribed by provisions of the Ohio Administrative Code and entails the preparation of budgetary documents within an established timetable. The Ohio Administrative Code section 117-8 does not require public libraries to budget receipts; however, sound budget practice suggests a government cannot appropriate responsibly unless they have an estimate of resources to support the appropriations. The Board must annually approve appropriations measures and subsequent amendments. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the amount the Board of Trustees may appropriate. The appropriations resolution is the Board of Trustees' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Trustees. The legal level of control has been established by the Board of Trustees at the object level. Any budgetary modifications at this level may only be made by resolution of the Board of Trustees.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Fiscal Officer. The amounts reported as the original and final budgeted amounts on the budgetary statement reflects the amounts in the original and final amended certificate in effect at the time original and final appropriations were passed.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot 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 Board of Trustees during the year.

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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 of the Library's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Library are presented on the financial statements as cash equivalents.

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

During 2020, the Library invested in STAR Ohio which is measured at the net asset value (NAV) per share. 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The NAV per share for STAR Ohio is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2020, 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 twenty-four hours in advance of all deposits and withdrawals exceeding \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Library funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2020 was \$37,558 which includes \$1,309 assigned from other Library funds.

***Inventory and Prepaids***

The Library reports disbursements for inventory 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.

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

The Library recognizes the disbursement for their employer contributions to cost-sharing pension and OPEB plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension and OPEB benefits, respectively.

***Long-Term Obligations***

The Library's cash basis financial statements do not report liabilities for notes and other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

***Net Position***

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents money from grants.

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 four 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 the library uses are as follows:

***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 the 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 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.

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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***

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for 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. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**Note 3 – 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 as follows:

Fund Balances	General	Facilities	Other Governmental Funds	Total Governmental Funds
<u>Restricted for:</u>				
Capital Outlay	0	8,018,619	0	8,018,619
Debt Service	0	0	4,052	4,052
Library Services	0	0	18,521	18,521
<i>Total Restricted</i>	<u>0</u>	<u>8,018,619</u>	<u>22,573</u>	<u>8,041,192</u>
<u>Committed to:</u>				
Capital Outlay	0	0	1,779,201	1,779,201
Library Services	0	0	63,760	63,760
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>1,842,961</u>	<u>1,842,961</u>
<u>Assigned to:</u>				
Purchases on Order	41,388	0	0	41,388
Unassigned	4,776,259	0	0	4,776,259
<b>Total Fund Balances</b>	<u><u>\$4,817,647</u></u>	<u><u>\$8,018,619</u></u>	<u><u>\$1,865,534</u></u>	<u><u>\$14,701,800</u></u>

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**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 for the general fund at December 31, 2020 (budgetary basis), amounted to \$41,388.

**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.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;



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3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

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 fiscal officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

***Investments***

The Library reports their investments at net asset value per share. The fair value of these investments is not materially different from cost. As of December 31, 2020, the Library had investments of a \$13,506,525 in STAR Ohio, the State Treasurer's Investment Pool. This investment has an average maturity of 55.8 days.

***Credit Risk*** STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. According to the Library's investment policy, the Library will attempt to minimize all risks through the diversification of its investments. The Library will do this by eliminating risk of loss resulting from an over-concentration of funds in a specific maturity, issuer, industry, geographical area, or class of securities.

***Interest Rate Risk*** State statute and the Library's investment policy require that an investment mature within five years from the date purchase, unless matched to a specific obligation or debt of the Library, and that an investment must be purchased with the expectation that it will be held to maturity.

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**Note 6 – Grants-in-Aid and Property Taxes**

***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 and public utility property located in the Library district. Property tax revenue received during 2020 for real and public utility property taxes represents collections of 2019 taxes.

2020 real property taxes are levied after October 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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. 2020 public utility property taxes which became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2020, was \$5.90 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2020 property tax receipts were based are as follows:

Real Property	\$860,861,620
Public Utility Personal Property	<u>20,175,570</u>
Total	<u>\$881,037,190</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.

**Note 7 – Risk Management**

The Library belongs to the Ohio Plan Risk Management, Incorporated (OPRM) (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

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Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the members' exposure to loss. Effective November 1, 2017, the OPRM retained 47 percent of the premium and losses on the first \$250,000 casualty treaty and 30 percent of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM property retention remained unchanged; however, the Plan assumed 100 percent of the first \$250,000 casualty treaty. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 771 members as of December 31, 2020.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$18,826,974
Liabilities	<u>(13,530,267)</u>
Members' Equity	<u>\$5,296,707</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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 – Interfund Transfers**

During 2020, the general fund transferred money to the building capital project fund, technology capital project fund, and facilities financing fund in the amounts of \$390,000, \$300,000 and \$285,250, respectively. The transfers were made to help fund capital improvements.

**Note 9 - Defined Benefit Pension Plan**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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>Traditional Plan 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>Traditional Plan 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>Traditional Plan 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>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
<b>2020 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
 <b>2020 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
 Total Employer	 14.0 %
 Employee	 10.0 %

\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

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

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For 2020, The Library's contractually required contribution was \$248,946 for the traditional plan, \$22,092 for the combined plan and \$11,994 for the member-directed plan.

**Note 10 – Defined Benefit OPEB Plan**

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. 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 75. See OPERS Comprehensive Annual Financial Report 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.

Funding Policy – The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, 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.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS 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 employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$3,427 for 2020.

**Note 11 – Debt**

A summary of the debt transactions for the year ended December 31, 2020, follows:

	Principal Outstanding 12/31/2019	Additions	Deductions	Principal Outstanding 12/31/2020	Amount Due in One Year
<b>Governmental Activities</b>					
2019 Certificates of Participation					
Serial Certificates	\$4,585,000	\$0	\$260,000	\$4,325,000	\$265,000
Term Certificates	5,815,000	0	0	5,815,000	0
Premium	750,682	0	0	750,682	0
<i>Total Governmental Activities</i>	<u>\$11,150,682</u>	<u>\$0</u>	<u>\$260,000</u>	<u>\$10,890,682</u>	<u>\$265,000</u>

On June 4, 2019, the Library issued \$10,400,000 in Certificates of Participation (COPs) for the purpose of improvements to the main library and its site and related improvements to facilities for library purposes. The COPs were issued for a twenty-five year period with final maturity in 2044. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be “qualified tax exempt obligations” within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Ohio School Building Leasing Corporation, and then subleased back to the Library. The COPs were issued through a series of annual leases, which includes the right to renew for twenty-five successive one-year terms through 2044 subject to annual appropriations. To satisfy the trustee agreements, the Library is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 2 to 4 percent. The Library has the option to purchase the renovations on any lease payment date by paying the amount necessary to defease the indenture. The note will be paid in majority through levy receipts from the general fund through the facilities financing debt service fund. At December 31, 2020, \$2,567,336 of the proceeds had been spent.

*Optional Redemption* The note is subject to redemption at the option of the Library, either in whole or in part, on any date after December, 1, 2024, at a redemption price equal to 100 percent of the principal amount redeemed plus interest accrued to the redemption date.

**Shaker Heights Public Library**  
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*Mandatory Sinking Fund Redemption* The term notes maturing on December 1, 2035, 2039, and 2044, are subject to mandatory sinking fund redemption requirements at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on the following dates and in the principal amounts set forth as follows:

Year	Issue		
	\$880,000	\$1,980,000	\$2,955,000
2034	\$430,000	\$0	\$0
2036	0	465,000	0
2037	0	485,000	0
2038	0	505,000	0
2040	0	0	545,000
2041	0	0	565,000
2042	0	0	590,000
2043	0	0	615,000
Total mandatory sinking fund payment	430,000	1,455,000	2,315,000
Amount due at stated maturity	450,000	525,000	640,000
Total	<u>\$880,000</u>	<u>\$1,980,000</u>	<u>\$2,955,000</u>
<i>Stated Maturity</i>	12/1/2035	12/1/2039	12/1/2044

Principal and interest requirements to retire the debt outstanding at December 31, 2020, are as follows:

Year Ending December 31	Governmental Activities	
	Certificates of Participation	
	Principal	Interest
2021	\$265,000	\$397,450
2022	275,000	389,500
2023	280,000	384,000
2024	290,000	372,800
2025	305,000	361,200
2026-2030	1,710,000	1,613,600
2031-2035	2,080,000	1,243,000
2036-2040	2,525,000	793,000
2041-2044	2,410,000	246,000
Total	<u>\$10,140,000</u>	<u>\$5,800,550</u>

**Note 12 – Contingent Liabilities**

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow; however, based on prior experience, management believes any refunds would be immaterial.



**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 13 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

	<u>Amount</u>
General Fund	\$41,388
Other Governmental Funds	<u>797,306</u>
Total	<u><u>\$838,694</u></u>

**Note 14 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Library. The Library's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Library's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Library received CARES Act funding. \$50,013 was received and spent on Library purposes. These amounts are reflected as general library services expenditures in the coronavirus relief special revenue fund on the accompanying financial statements.

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**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

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The management's discussion and analysis of the Shaker Heights Public Library ("the Library") financial performance provides an overview of the Library's financial activities for the year ended December 31, 2019, within the limitations of the Library's cash basis of 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 2019 are as follows:

- General library services disbursements remained consistent with 2018 due to careful cost monitoring of expenses.
- The Library was able to increase their cash balances as receipts continue to outpace disbursements for 2019.
- The Library issued a twenty-five year Certificates of Participation to fund the Main Library renovation. The design team has been selected and design work began during 2019.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) 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 purpose. These statements present financial information by fund, presenting the major funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the governmental-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 the financial statements on a cash basis of accounting. This approach 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.

**Shaker Heights Public Library**  
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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 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 2019, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances 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 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, and the need for continued growth in the major local revenue sources such as property taxes and the Public Library Fund (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, and the 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 restricted use funds are being spent for their intended purposes. All of the Library's funds are accounted for as governmental funds.

*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 major governmental funds are presented on the financial statements in separate columns. The Library's major governmental funds are the general fund and the facilities capital projects fund. 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 titled "Other Governmental Funds." The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
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**The Library as a Whole**

Table 1 provides a summary of the Library's net position for 2019 compared to 2018 on a cash basis:

(Table 1)  
**Net Position**

	Governmental Activities		
	2019	2018	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$15,182,473	\$2,703,453	\$12,479,020
<b>Net Position</b>			
Restricted for:			
Capital Outlay	\$10,177,378	\$0	\$10,177,378
Debt Service	382,637	0	382,637
Library Services	22,085	14,502	7,583
Unrestricted	4,600,373	2,688,951	1,911,422
<b>Total Net Position</b>	<b>\$15,182,473</b>	<b>\$2,703,453</b>	<b>\$12,479,020</b>

The increase in net position is due to the Library continuing to maintain a revenue base that exceeds the disbursements, in addition to a Certificates of Participation issuance during 2019.

Table 2 reflects the changes in net position in 2019 compared to 2018 on a cash basis:

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

	Governmental Activities		
	2019	2018	Change
<b>Receipts:</b>			
<b>Program Receipts</b>			
Charges for Services and Sales	\$101,953	\$133,588	(\$31,635)
Operating Grants and Contributions	33,720	32,449	1,271
<b>Total Program Receipts</b>	<b>135,673</b>	<b>166,037</b>	<b>(30,364)</b>
<b>General Receipts</b>			
Property Taxes	4,273,914	2,739,585	1,534,329
Grants and Entitlements not Restricted to Specific Programs	2,014,689	1,929,040	85,649
Unrestricted Contributions and Donations	1,638	1,385	253
Interest	217,973	57,915	160,058
Miscellaneous	19,944	23,022	(3,078)
Certificates of Participation Issued	10,400,000	0	10,400,000
Premium on Certificates of Participation Issued	750,682	0	750,682
<b>Total General Receipts</b>	<b>17,678,840</b>	<b>4,750,947</b>	<b>12,927,893</b>
<b>Total Receipts</b>	<b>\$17,814,513</b>	<b>\$4,916,984</b>	<b>\$12,897,529</b>

(continued)

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
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(Table 2)  
**Changes in Net Position (continued)**

	Governmental Activities		
	2019	2018	Change
<b>Disbursements:</b>			
Current:			
General Library Services	\$4,479,535	\$4,413,434	(\$66,101)
Capital Outlay	483,826	66,694	(417,132)
Debt Service:			
Interest and Fiscal Charges	175,608	0	(175,608)
Issuance Costs	196,524	0	(196,524)
<i>Total Disbursements</i>	<u>5,335,493</u>	<u>4,480,128</u>	<u>(855,365)</u>
Change in Net Position	12,479,020	436,856	12,042,164
Net Position Beginning of Year	<u>2,703,453</u>	<u>2,266,597</u>	<u>436,856</u>
Net Position End of Year	<u><u>\$15,182,473</u></u>	<u><u>\$2,703,453</u></u>	<u><u>\$12,479,020</u></u>

Property taxes and debt issuance receipts in 2019 are the majority of total receipts. Property tax revenue saw an increase due to an additional levy that began collections during the year, as well as due to an increase in property assessed values in 2018 (applied to 2019 collections).

Expenses increased due to an increase in capital outlay disbursements as a result of purchasing new accounting software, beginning the installation of an updated security camera and access control system, and starting on the initial phases of the \$10.4 million renovation project at the Main 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 general library services and capital outlay. The next two columns of the statement, entitled "Program Cash Receipts," identify amounts paid by those 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)" 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.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
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(Table 3)

**Governmental Activities**

	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Disbursements:</b>				
General Library Services	\$4,479,535	\$4,343,862	\$4,413,434	\$4,247,397
Capital Outlay	483,826	483,826	66,694	66,694
Debt Service:				
Interest and Fiscal Charges	175,608	175,608	0	0
Issuance Costs	196,524	196,524	0	0
<i>Total Disbursements</i>	<u>\$5,335,493</u>	<u>\$5,199,820</u>	<u>\$4,480,128</u>	<u>\$4,314,091</u>

**The Library's Funds**

Total governmental funds had receipts in 2019 of \$6,663,831 and disbursements of \$5,335,493. The fund balance of the general fund increased \$1,126,565 in 2019, primarily due to the collections beginning for the new property tax levy passed by the taxpayers in 2018.

**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 2019, the Library's general fund budget was stable. Final disbursements for 2019 were budgeted at \$5,811,916, while actual disbursements were \$5,439,258. Maintaining actual disbursements below projected levels allowed the Library to maximize increases to the general fund during this period.

**Debt Administration**

At December 31, 2019, the Library had one 2019 Certificates of Participation debt issuance, which will be repaid over twenty-five years. See Note 11 to the basic financial statements for additional information related to long-term debt activity.

**Current Issues**

Throughout its 83-year history, Shaker Heights Public Library's goal has been to maximize the Library's return on investment and deliver the best possible library services at the lowest possible cost. As thoughtful stewards of taxpayer dollars, we have worked hard to minimize what the Library asks of taxpayers.

In 2019, the Library began collecting the operating levy passed in 2018, the Library's first in ten years. This levy will finance the Certificates of Participation payments each year so that repairs and renovations can be made to the Main Library.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

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**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 Susan Ritchey, Fiscal Officer, Shaker Heights Public Library, 16500 Van Aken Boulevard, Shaker Heights, Ohio 44120.



**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2019*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$15,182,473</u>
<b>Net Position</b>	
Restricted for:	
Capital Outlay	\$10,177,378
Debt Service	382,637
Library Services	22,085
Unrestricted	<u>4,600,373</u>
<i>Total Net Position</i>	<u>\$15,182,473</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2019*

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities</b>			Governmental Activities
Current:			
General Library Services	\$4,479,535	\$101,953	\$33,720
Capital Outlay	483,826	0	0
Debt Service:			
Interest and Fiscal Charges	175,608	0	0
Issuance Costs	196,524	0	0
<i>Total Governmental Activities</i>	<u>\$5,335,493</u>	<u>\$101,953</u>	<u>\$33,720</u>

**General Receipts**

Property Taxes Levied for General Purposes	4,273,914
Grants and Entitlements not Restricted to Specific Programs	2,014,689
Unrestricted Contributions and Donations	1,638
Interest	217,973
Miscellaneous	19,944
Certificates of Participation Issued	10,400,000
Premium on Certificates of Participation Issued	750,682
<i>Total General Receipts</i>	<u>17,678,840</u>
Change in Net Position	12,479,020
<i>Net Position Beginning of Year</i>	<u>2,703,453</u>
<i>Net Position End of Year</i>	<u><u>\$15,182,473</u></u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2019*

	General	Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,245,945	\$10,177,378	\$1,759,150	\$15,182,473
<b>Fund Balances</b>				
Restricted	\$0	\$10,177,378	\$404,722	\$10,582,100
Committed	0	0	1,354,428	1,354,428
Assigned	55,767	0	0	55,767
Unassigned	3,190,178	0	0	3,190,178
<i>Total Fund Balances</i>	\$3,245,945	\$10,177,378	\$1,759,150	\$15,182,473

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2019*

	General	Facilities	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$4,273,914	\$0	\$0	\$4,273,914
Intergovernmental	2,014,689	0	24,830	2,039,519
Patron Fines and Fees	62,886	0	0	62,886
Rentals	39,067	0	0	39,067
Contributions and Donations	1,638	0	8,890	10,528
Interest	99,562	114,324	4,087	217,973
Miscellaneous	18,300	0	1,644	19,944
<i>Total Receipts</i>	<u>6,510,056</u>	<u>114,324</u>	<u>39,451</u>	<u>6,663,831</u>
<b>Disbursements</b>				
Current:				
General Library Services	4,426,246	0	53,289	4,479,535
Capital Outlay	3,495	336,946	143,385	483,826
Debt Service:				
Interest and Fiscal Charges	0	0	175,608	175,608
Issuance Costs	0	0	196,524	196,524
<i>Total Disbursements</i>	<u>4,429,741</u>	<u>336,946</u>	<u>568,806</u>	<u>5,335,493</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,080,315</u>	<u>(222,622)</u>	<u>(529,355)</u>	<u>1,328,338</u>
<b>Other Financing Sources (Uses)</b>				
Certificates of Participation Issued	0	10,400,000	0	10,400,000
Premium on Certificates of Participation Issued	0	0	750,682	750,682
Transfers In	0	0	953,750	953,750
Transfers Out	(953,750)	0	0	(953,750)
<i>Total Other Financing Sources (Uses)</i>	<u>(953,750)</u>	<u>10,400,000</u>	<u>1,704,432</u>	<u>11,150,682</u>
<i>Net Change in Fund Balances</i>	1,126,565	10,177,378	1,175,077	12,479,020
<i>Fund Balances Beginning of Year</i>	<u>2,119,380</u>	<u>0</u>	<u>584,073</u>	<u>2,703,453</u>
<i>Fund Balances End of Year</i>	<u>\$3,245,945</u>	<u>\$10,177,378</u>	<u>\$1,759,150</u>	<u>\$15,182,473</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2019*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$4,096,100	\$4,096,100	\$4,273,914	\$177,814
Intergovernmental	1,922,830	1,967,535	2,014,689	47,154
Patron Fines and Fees	50,050	50,050	62,886	12,836
Rentals	32,321	32,321	39,067	6,746
Contributions and Donations	1,000	1,000	1,638	638
Interest	80,000	80,000	99,562	19,562
Miscellaneous	43,264	20,250	18,300	(1,950)
<i>Total Receipts</i>	<u>6,225,565</u>	<u>6,247,256</u>	<u>6,510,056</u>	<u>262,800</u>
<b>Disbursements</b>				
Current:				
General Library Services	4,911,796	4,850,426	4,482,013	368,413
Capital Outlay	7,740	7,740	3,495	4,245
<i>Total Disbursements</i>	<u>4,919,536</u>	<u>4,858,166</u>	<u>4,485,508</u>	<u>372,658</u>
<i>Excess of Receipts Over Disbursements</i>	1,306,029	1,389,090	2,024,548	635,458
<b>Other Financing Uses</b>				
Transfers Out	0	(953,750)	(953,750)	0
<i>Net Change in Fund Balance</i>	1,306,029	435,340	1,070,798	635,458
<i>Fund Balance Beginning of Year</i>	2,050,480	2,050,480	2,050,480	0
Prior Year Encumbrances Appropriated	68,900	68,900	68,900	0
<i>Fund Balance End of Year</i>	<u>\$3,425,409</u>	<u>\$2,554,720</u>	<u>\$3,190,178</u>	<u>\$635,458</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
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**Note 1 – Description of the Library and Reporting Entity**

The Shaker Heights Public Library, Cuyahoga County, (“the Library”) was organized as a school district public library in 1937 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Shaker Heights City School District’s 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, 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 3375.41 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 Fiscal Officer.

The Library is fiscally independent of the Shaker Heights City School District (“School District”) although the School District serves in a ministerial capacity as the taxing authority 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 Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the School District.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board (“GASB”), “The Financial Reporting Entity,” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”, and GASB Statement No. 61, “The Financial Reporting Entity Omnibus – an Amendment of GASB Statement No. 14 and No. 34”, the Library is considered to be a related organization of the Shaker Heights 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 approves the budget, the issuance of debt of the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Library. The Library does not have any component units.

The Friends of the Shaker Heights Public Library, Incorporated is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Library does not receive amounts from the Friends of the Shaker Heights Public Library, Incorporated that the State would consider significant; 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.

**Shaker Heights Public Library**  
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**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2, the financial statements of the Library have been prepared on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (“GAAP”). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board 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 as follows.

***Basis of Presentation***

The Library’s basic financial statements consist of government-wide statements, including a statement of net position, 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. These statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type; however, the Library has only governmental activities; therefore, no business-type activities are presented.

The statement of net position presents the cash 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. 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. 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. Non-major funds are aggregated and presented in a single column.

***Fund Accounting***

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

***Governmental Funds*** Governmental funds are financed primarily from taxes, intergovernmental receipts, and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library’s major governmental funds.

***General Fund*** The general fund accounts for and reports all financial resources except those required to be 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.

**Shaker Heights Public Library**  
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**Facilities Fund** The facilities fund accounts for and reports restricted monies set aside by the Board of Library Trustees specifically for major capital improvements that include the renovation and reconstruction of the Library's main branch.

The other governmental funds of the Library account for receipts whose use is restricted or committed to a particular purpose.

For 2019, the Library implemented GASB Statement No. 84, *Fiduciary Activities* and Implementation Guide No. 2019-2, *Fiduciary Activities*. The Library had no changes in fund classification as a result of the implementation of these GASB standards.

***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.

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 are legally required to be budgeted and appropriated. The budgetary process is prescribed by provisions of the Ohio Administrative Code and entails the preparation of budgetary documents within an established timetable. The Ohio Administrative Code section 117-8 does not require public libraries to budget receipts; however, sound budget practice suggests a government cannot appropriate responsibly unless they have an estimate of resources to support the appropriations. The Board must annually approve appropriations measures and subsequent amendments. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the amount the Board of Trustees may appropriate. The appropriations resolution is the Board of Trustees' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Trustees. The legal level of control has been established by the Board of Trustees at the object level. Any budgetary modifications at this level may only be made by resolution of the Board of Trustees.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Fiscal Officer. The amounts reported as the original and final budgeted amounts on the budgetary statement reflects the amounts in the original and final amended certificate in effect at the time original and final appropriations were passed.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot 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 Board of Trustees during the year.



**Shaker Heights Public Library**  
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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 of the Library's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Library are presented on the financial statements as cash equivalents.

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

During 2019, the Library invested in an American Treasury Obligation Fund Account and STAR Ohio, which are both measured at the net asset value (NAV) per share. 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The NAV per share for STAR Ohio is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2019, 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 twenty-four hours in advance of all deposits and withdrawals exceeding \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Library funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2019 was \$99,562 which includes \$52,959 assigned from other Library funds.

***Inventory and Prepaids***

The Library reports disbursements for inventory 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.

**Shaker Heights Public Library**  
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***Employer Contributions to Cost-Sharing Pension and OPEB Plans***

The Library recognizes the disbursement for their employer contributions to cost-sharing pension and OPEB plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension and OPEB benefits, respectively.

***Long-Term Obligations***

The Library's cash basis financial statements do not report liabilities for notes and other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

***Net Position***

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents money from grants.

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 four 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 the library uses are as follows:

***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 the 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 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.

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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***

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for 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. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**Note 3 – 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 as follows:

Fund Balances	General	Facilities	Other Governmental Funds	Total Governmental Funds
<u>Restricted for:</u>				
Capital Outlay	0	10,177,378	0	10,177,378
Debt Service	0	0	382,637	382,637
Library Services	0	0	22,085	22,085
<i>Total Restricted</i>	<u>0</u>	<u>10,177,378</u>	<u>404,722</u>	<u>10,582,100</u>
<u>Committed to:</u>				
Capital Outlay	0	0	1,290,055	1,290,055
Library Services	0	0	64,373	64,373
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>1,354,428</u>	<u>1,354,428</u>
<u>Assigned to:</u>				
Purchases on Order	55,767	0	0	55,767
Unassigned	3,190,178	0	0	3,190,178
<b>Total Fund Balances</b>	<u><u>\$3,245,945</u></u>	<u><u>\$10,177,378</u></u>	<u><u>\$1,759,150</u></u>	<u><u>\$15,182,473</u></u>

**Shaker Heights Public Library**  
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**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 for the general fund at December 31, 2019 (budgetary basis), amounted to \$55,767.

**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.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

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 fiscal officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

***Investments***

The Library reports their investments at net asset value per share. The fair value of these investments is not materially different from cost. As of December 31, 2019, the Library had investments of a \$379,612 American Treasury Obligation Fund Account and \$13,509,116 in STAR Ohio, the State Treasurer's Investment Pool. This investment has an average maturity of 55.7 days.

***Credit Risk*** STAR Ohio and the American Treasury Obligation Fund Account both carry a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. According to the Library's investment policy, the Library will attempt to minimize all risks through the diversification of its investments. The Library will do this by eliminating risk of loss resulting from an over-concentration of funds in a specific maturity, issuer, industry, geographical area, or class of securities.

***Interest Rate Risk*** State statute and the Library's investment policy require that an investment mature within five years from the date purchase, unless matched to a specific obligation or debt of the Library, and that an investment must be purchased with the expectation that it will be held to maturity.

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**Note 6 – Grants-in-Aid and Property Taxes**

***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 and public utility property located in the Library district. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2019, was \$5.90 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

Real Property	\$862,712,290
Public Utility Personal Property	<u>17,489,560</u>
Total	<u>\$880,201,850</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.

**Note 7 – Risk Management**

The Library belongs to the Ohio Plan Risk Management, Incorporated (OPRM) (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

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Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the members' exposure to loss.. Effective November 1, 2017, the OPRM retained 47 percent of the premium and losses on the first \$250,000 casualty treaty and 30 percent of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM property retention remained unchanged; however, the Plan assumed 100 percent of the first \$250,000 casualty treaty. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u>\$4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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 – Interfund Transfers**

During 2019, the general fund transferred money to the Library Services and Technology Act grant special revenue fund and the building and technology capital project funds in the amounts of \$3,750, \$530,000 and \$420,000, respectively. The transfers were made to help fund a grant program and capital improvements.

**Note 9 – Defined Benefit Pension Plan**

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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

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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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

<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>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>Traditional Plan 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>Traditional Plan 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>Traditional Plan 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>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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 traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants



**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019*

must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	<u>State and Local</u>
<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
<b>2019 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent-directed plan for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2019, the Library's contractually required contribution was \$306,136 for the traditional plan, \$20,685 for the combined plan and \$9,994 for the member-directed plan.

**Note 10 – Postemployment Benefits**

Plan Description – The 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.

**Shaker Heights Public Library**

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*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2019*

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OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. 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 75. 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.

Funding Policy – The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14 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.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS 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 employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4 percent.

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

The Library's contractually required contribution was \$3,998 for 2019.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 11 – Debt**

For 2019, the Library implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The Library has incorporated any required disclosures into the following note.

A summary of the debt transactions for the year ended December 31, 2019, follows:

	Principal Outstanding 12/31/2018	Additions	Deductions	Principal Outstanding 12/31/2019	Amount Due in One Year
<b>Governmental Activities</b>					
2019 Certificates of Participation					
Serial Certificates	\$0	\$4,585,000	\$0	\$4,585,000	\$260,000
Term Certificates	0	5,815,000	0	5,815,000	0
Premium	0	750,682	0	750,682	0
<i>Total Governmental Activities</i>	<u>\$0</u>	<u>\$11,150,682</u>	<u>\$0</u>	<u>\$11,150,682</u>	<u>\$260,000</u>

On June 4, 2019, the Library issued \$10,400,000 in Certificates of Participation (COPs) for the purpose of improvements to the main library and its site and related improvements to facilities for library purposes. The COPs were issued for a twenty-five year period with final maturity in 2044. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be “qualified tax exempt obligations” within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Ohio School Building Leasing Corporation, and then subleased back to the Library. The COPs were issued through a series of annual leases, which includes the right to renew for twenty-five successive one-year terms through 2044 subject to annual appropriations. To satisfy the trustee agreements, the Library is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 2 to 4 percent. The Library has the option to purchase the renovations on any lease payment date by paying the amount necessary to defease the indenture. The note will be paid in majority through levy receipts from the general fund through the facilities financing debt service fund. At December 31, 2019, \$336,946 of the proceeds had been spent.

*Optional Redemption* The note is subject to redemption at the option of the Library, either in whole or in part, on any date after December, 1, 2024, at a redemption price equal to 100 percent of the principal amount redeemed plus interest accrued to the redemption date.

*Mandatory Sinking Fund Redemption* The term notes maturing on December 1, 2035, 2039, and 2044, are subject to mandatory sinking fund redemption requirements at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on the following dates and in the principal amounts set forth as follows:

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

Year	Issue		
	\$880,000	\$1,980,000	\$2,955,000
2034	\$430,000	\$0	\$0
2036	0	465,000	0
2037	0	485,000	0
2038	0	505,000	0
2040	0	0	545,000
2041	0	0	565,000
2042	0	0	590,000
2043	0	0	615,000
Total mandatory sinking fund payment	430,000	1,455,000	2,315,000
Amount due at stated maturity	450,000	525,000	640,000
<b>Total</b>	<b>\$880,000</b>	<b>\$1,980,000</b>	<b>\$2,955,000</b>
<i>Stated Maturity</i>	12/1/2035	12/1/2039	12/1/2044

Principal and interest requirements to retire the debt outstanding at December 31, 2019, are as follows:

Year Ending December 31	Governmental Activities	
	Certificates of Participation	
	Principal	Interest
2020	\$260,000	\$405,250
2021	265,000	397,450
2022	275,000	389,500
2023	280,000	384,000
2024	290,000	372,800
2025-2029	1,645,000	1,679,400
2030-2034	2,000,000	1,323,000
2035-2039	2,430,000	890,200
2040-2044	2,955,000	364,200
<b>Total</b>	<b>\$10,400,000</b>	<b>\$6,205,800</b>

**Note 12 – Contingent Liabilities**

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow; however, based on prior experience, management believes any refunds would be immaterial.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 13 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

	<u>Amount</u>
General Fund	\$55,767
Other Governmental Funds	<u>218</u>
Total	<u><u>\$55,985</u></u>

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# OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12<sup>th</sup> Floor  
615 Superior Avenue, NW  
Cleveland, Ohio 44113-1801  
(216) 787-3665 or (800) 626-2297  
NortheastRegion@ohioauditor.gov

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

Shaker Heights Public Library  
Cuyahoga County  
16500 Van Aken Boulevard  
Shaker Heights, Ohio 44120

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 Shaker Heights Public Library, Cuyahoga County, (the Library) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 30, 2021, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Library.

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

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

August 30, 2021



# OHIO AUDITOR OF STATE KEITH FABER



**SHAKER HEIGHTS PUBLIC LIBRARY**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/16/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)