



**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY
Regular Audit
For the Years Ended December 31, 2019 and 2018**

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KEITH FABER



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Board of Trustees
Reuben McMillan Free Library Association
305 Wick Avenue
Youngstown, OH 44503

We have reviewed the *Independent Auditor's Report* of the Reuben McMillan Free Library Association, Mahoning County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Reuben McMillan Free Library Association is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 18, 2020

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MAHONING COUNTY
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INDEPENDENT AUDITOR'S REPORT

August 31, 2020

Reuben McMillan Free Library Association
Mahoning County
305 Wick Avenue
Youngstown, Ohio 44503

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of **Reuben McMillan Free Library Association**, Mahoning County, Ohio, (a not-for-profit corporation), (the Library) which comprises the statements of assets, liabilities and net assets as of and for the years ended December 31, 2019 and 2018, and the related statements of revenue, expenses and changes in net assets and functional expenses for the years ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note B describes. This responsibility includes determining that the modified 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 opinion.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of Reuben McMillan Free Library Association, Mahoning County, Ohio, as of December 31, 2019 and 2018, and the respective changes in modified cash financial position thereof for the years then ended in accordance with the accounting basis described in Note B.

Accounting Basis

We draw attention to Note B of the financial statements, which describes the accounting basis. The financial statements are prepared on the modified 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 J to the financial statements, during 2019 and 2018, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Library. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2020, 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND NET
ASSETS - MODIFIED CASH BASIS

AS OF DECEMBER 31, 2019

See Accompanying Notes

ASSETS	December 31, 2019
CASH AND INVESTMENTS	
Cash and cash equivalents	\$ 23,611,606
Cash and cash equivalents -- with donor restriction	696,614
Investments	30,413,538
TOTAL CASH AND INVESTMENTS	54,721,758
PROPERTY AND EQUIPMENT	
Land	952,741
Buildings and improvements	37,818,051
Furniture and equipment	4,853,170
Transportation equipment	487,183
Total property and equipment	44,111,145
Less accumulated depreciation	19,482,029
Construction in process	-
NET PROPERTY AND EQUIPMENT	24,629,116
TOTAL ASSETS	\$ 79,350,874
NET ASSETS	
Without donor restrictions	\$ 74,941,623
With donor restrictions	4,409,251
TOTAL NET ASSETS	\$ 79,350,874

REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2019

See Accompanying Notes

	Year ended December 31,		
	2019		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Operating support and contributions			
Property and other local taxes	\$ 9,944,648	\$ -	\$ 9,944,648
State grants	8,843,772	-	8,843,772
Contributions	283,908	105,839	389,747
Program service fees			
Patron fines and fees	180,000	-	180,000
Investment income, net	827,751	70,098	897,849
Net realized/unrealized gain/(loss) on investments	377,597	483,323	860,920
Other income			
Refunds and reimbursements	95,611	-	95,611
Rental income	45,243	-	45,243
Miscellaneous	14,265	-	14,265
Net assets released from restrictions	46,305	(46,305)	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	20,659,100	612,955	21,272,055
EXPENSES			
Program services	15,547,143	-	15,547,143
Supporting services			
Management and general	1,413,704	-	1,413,704
Fundraising	25,783	-	25,783
TOTAL EXPENSES	16,986,630	-	16,986,630
CHANGE IN NET ASSETS	3,672,470	612,955	4,285,425
NET ASSETS AT BEGINNING OF YEAR	71,269,153	3,796,296	75,065,449
NET ASSETS AT END OF YEAR	\$ 74,941,623	\$ 4,409,251	\$ 79,350,874

REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES--MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2019

See Accompanying Notes

	Year ended December 31,			
	2019			
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
COMPENSATION AND RELATED EXPENSES				
Salaries and wages	\$ 6,391,210	\$ 876,034	\$ 18,896	\$ 7,286,140
Payroll taxes	93,481	14,143	274	107,898
Employee benefits:				
Pension	921,658	94,284	2,645	1,018,587
Other	1,377,164	206,595	3,968	1,587,727
TOTAL COMPENSATION AND RELATED EXPENSES	8,783,513	1,191,056	25,783	10,000,352
Accounting	-	6,000	-	6,000
Advertising	155,166	-	-	155,166
Conferences and conventions	96,994	-	-	96,994
Depreciation	1,190,668	-	-	1,190,668
Information technology	340,554	-	-	340,554
Insurance	73,238	-	-	73,238
Legal fees	-	49,229	-	49,229
Library materials	1,924,590	-	-	1,924,590
Occupancy	1,011,554	-	-	1,011,554
Office expense	1,298,369	1,722	-	1,300,091
Organizational memberships	37,566	-	-	37,566
Professional fees	608,088	165,697	-	773,785
Refunds	1,938	-	-	1,938
Travel	24,905	-	-	24,905
TOTAL EXPENSES	\$ 15,547,143	\$ 1,413,704	\$ 25,783	\$ 16,986,630

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – NATURE OF OPERATIONS

The Reuben McMillan Library Association (the Library) is a not-for-profit entity that provides the operation of a free library system for residents of Youngstown, Ohio and the Mahoning County. The Library adopted its articles of incorporation in accordance with Ohio Revised Code Section 1713.28. The Library is funded primarily with public monies to provide free library services.

The Library was established October 27, 1880, under the name “The Youngstown Library Association” and officially changed its legal name in 1898 to “The Reuben McMillan Free Library Association.” The Library is also known as “The Public Library of Youngstown & Mahoning County.”

Program Services

For financial reporting purposes, the Library’s program service is to provide a free public library system that assures equitable access to reliable resources and services throughout the Mahoning County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Library have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles and, accordingly, certain revenue and related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. However, the financial statements do provide for the recognition of market value changes of investments.

Cash and Cash Equivalents

Cash equivalents consist of temporary bank deposits and money market instruments with an original maturity of three months or less as of the purchase date.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of assets, liabilities and net assets. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

The Library capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Library reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Library reclassifies net assets with donor restrictions to net asset without donor restrictions at that time. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Net Assets

The net assets of the Library are reported as follows:

Without Donor Restriction represents operating net assets which are available for the general operations of the Library as net assets without donor restriction, as well as Board-designated net assets set aside for future use.

With Donor Restriction represents gifts of cash or other restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of revenue, expenses and changes in net assets, as net assets released from restrictions.

Income Taxes

The Library is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Compensation related expenses are allocated between program and supporting services based upon estimated time spent by key personnel. Occupancy and office related expenses are allocated based on management's estimate of the square footage occupied by branch and administrative operations.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Library's financial assets as of December 31, 2019, reduced by amounts not available for general use because of donor-imposed restrictions and inactive deposits that the Library has identified as not required for use in meeting general expenditures within one year, or more.

Financial Assets	
Cash and cash equivalents	\$ 24,308,220
Investments	30,413,538
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed purpose restrictions	(4,409,251)
Board designation:	
Quasi-endowment fund, primarily for long-term investing	(1,535,951)
Inactive deposits not required for immediate need	(25,164,950)
Financial assets available to meet cash	
needs for general expenditures within one year	<u>\$ 23,611,606</u>

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE C – AVAILABILITY OF FINANCIAL ASSETS (continued)

The Library is substantially supported by property tax levies and the Public Library Fund as funded through the state of Ohio. As part of the Library’s liquidity management, it has structured its financial assets to be available as its general expenditures and other obligations come due. The inactive deposits may be drawn upon in the event of financial distress or immediate liquidity need resulting from events outside the typical cycle of converting such assets to available cash.

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

Endowment Funds

The Board of Trustees of the Library created various endowment funds consisting of two components: 1) funds without donor restrictions to be used at the direction of the Board of Trustees and 2) funds with donor restriction to be used for purposes determined by the donor. The purpose of these endowments is to support the services of the Library. The objective of the underlying investments within the endowment fund is to allow for growth of principal balances and to provide an income stream for uses of the Library.

The endowments must not be exposed to undue credit or interest-rate risk. The Library does not have an investment policy beyond the requirements of State Statute. Ohio law addresses interest rate risk by requiring that the Library’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity. The Library’s investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the Treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the Treasurer, governing board, or qualified trustee”.

Endowment Net Asset Composition by Type of Fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 3,712,636	\$ 3,712,636
Board designated endowment funds	1,535,951	-	1,535,951
TOTAL FUNDS	\$ 1,535,951	\$ 3,712,636	\$ 5,248,587

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets – January 1, 2019	\$ 1,370,646	\$ 3,236,429	\$ 4,607,075
Investment return	38,004	89,388	127,392
Net gain on endowments	168,331	483,323	651,654
Appropriation of endowment assets for expenditure	(41,030)	(96,504)	(137,534)
Endowment net assets – December 31, 2019	\$ 1,535,951	\$ 3,712,636	\$ 5,248,587

Net assets with donor restrictions were available for the following purposes as of December 31, 2019:

Purchase of books	\$ 2,440,610
Maintain and conduct branch operations	971,514
Maintain special delivery services	465,258
Youth program services	236,683
Author events	180,566
Other various restrictions	114,620
TOTAL	\$ 4,409,251

NOTE E – INVESTMENTS

Investments are stated at fair value based on quoted market prices and consist of the following:

	December 31, 2019	
	Cost	Fair Value
Investments:		
Money markets	\$ 3,702,499	\$ 3,702,499
Certificates of deposit	6,094,309	6,094,309
Common stock	1,346,632	1,780,927
Mutual funds	1,650,037	1,684,597
Corporate bonds	886,056	906,188
U.S. Government obligations	16,201,983	16,245,018
TOTAL	\$ 29,881,516	\$ 30,413,538

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE F – NET ASSETS WITHOUT DONOR RESTRICTIONS

The Library’s governing board has designated, from net assets without donor restrictions, net assets for the following purposes:

	<u>December 31,</u> <u>2019</u>
Designated by the governing board	
Purposes of long-term investing	\$ 26,700,901
Undesignated – available for general activities	48,240,722
<hr/>	
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 74,941,623

NOTE G – FAIR VALUE MEASUREMENTS

Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Library has characterized its financial instruments, based on the three levels of the fair value hierarchy are described as follows:

Level 1 fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 fair value inputs are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly or indirectly. Observable inputs include quoted market prices in active markets for similar assets, quoted prices in markets that are not active for identical or similar assets and other market observable inputs such as interest rate, credit spread and foreign currency exchange rates observable in the marketplace or derived from market transactions.

Level 3 fair values are based on at least one significant unobservable input for the asset. Level 3 securities contain unobservable market inputs and as a result considerable judgment may be used in determining the fair values.

Certain investments are measured at fair value using the net asset value (NAV) per share, or its equivalent, as a practical expedient. These investments include commingled funds which may include money market funds, which are typically valued using the NAV provided by the investing agent. In accordance with accounting guidance, these investments have not been classified in the fair value hierarchy.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE G – FAIR VALUE MEASUREMENTS (continued)

Money market: As a practical expedient, valued at the NAV of shares held at year end.

Certificates of deposit: Valued at original cost, plus accrued interest, which approximates fair value.

Mutual funds: Valued at quoted market prices on the last business day of the year.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued using pricing models using observable inputs for similar securities. This includes basing value on yields available on comparable securities of issuers with similar credit ratings.

U.S. Government Obligations: Valued using pricing models using observable inputs for similar securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Library believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Library's assets at fair value as of December 31, 2019:

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 6,094,309	\$ -	\$ 6,094,309
Common stock:				
Industrials	158,191	-	-	158,191
Consumer	282,331	-	-	282,331
Materials	27,494	-	-	27,494
Health care	251,704	-	-	251,704
Information technology	343,232	-	-	343,232
Energy	139,706	-	-	139,706
Utilities	95,958	-	-	95,958
Financial	199,831	-	-	199,831
Communication services	184,826	-	-	184,826
Real estate	97,654	-	-	97,654
Mutual funds:				
Bond funds	571,715	-	-	571,715
Equity funds	1,112,882	-	-	1,112,882
Corporate bonds	-	906,188	-	906,188
U.S. Government obligations	-	16,245,018	-	16,245,018
Subtotal investments at fair value	\$ 3,465,524	\$ 23,245,515	\$ -	26,711,039
Investments at net asset value:				
Money markets				3,702,499
TOTAL				\$ 30,413,538

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE H – PENSION AND POSTRETIREMENT PLANS

Ohio Public Employees Retirement System—Pension Plans

Plan Description – Library employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit / 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 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:

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 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.

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE H – PENSION AND POSTRETIREMENT PLANS (continued)

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

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 purchase of a monthly defined benefit annuity from OPERS (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:

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

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

The Library’s contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$1,018,587 for 2019, respectively.

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE H – PENSION AND POSTRETIREMENT PLANS (continued)

Ohio Public Employees Retirement System—Postretirement Plan

Plan Description - 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. 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).

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 requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

The employer contribution rate is expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate 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. For 2019, 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 2019 was 4.0 percent.

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE I – CONCENTRATION OF RISK

The Library maintains its cash in various financial institutions which, at times, may exceed federally insured limits, of \$250,000. The amounts that exceeded federally insured limits were \$23,395,628 at December 31, 2019. The Library has not experienced any losses from such accounts, and management believes the Library is not exposed to significant credit risk related to bank deposit accounts.

The Library maintains a major portion of its funds in investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect that Library's account balances and the amounts reported in the statement of assets, liabilities, and net assets.

Collective Bargaining Arrangements

Approximately 85% of the Library's labor force was subject to collective bargaining agreements as of December 31, 2019. The Library has two collective bargaining agreements, the Public Librarians Association of Youngstown (PLAY) and Clerical/Maintenance/Technical (CMT), these agreements expire March 31, 2020 and April 30, 2020, respectively.

NOTE J – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Library. The impact on the Library's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND NET
ASSETS - MODIFIED CASH BASIS

AS OF DECEMBER 31, 2018

See Accompanying Notes

ASSETS	December 31, 2018
CASH AND INVESTMENTS	
Cash and cash equivalents	\$ 19,736,877
Cash and cash equivalents -- with donor restriction	559,867
Investments	29,121,448
TOTAL CASH AND INVESTMENTS	49,418,192
PROPERTY AND EQUIPMENT	
Land	952,741
Buildings and improvements	36,773,231
Furniture and equipment	4,287,025
Transportation equipment	251,321
Total property and equipment	42,264,318
Less accumulated depreciation	18,137,679
Construction in process	1,520,618
NET PROPERTY AND EQUIPMENT	25,647,257
TOTAL ASSETS	\$ 75,065,449
NET ASSETS	
Without donor restrictions	\$ 71,269,153
With donor restrictions	3,796,296
TOTAL NET ASSETS	\$ 75,065,449

REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2018

See Accompanying Notes

	Year ended December 31,		
	2018		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Operating support and contributions			
Property and other local taxes	\$ 9,865,957	\$ -	\$ 9,865,957
State grants	8,467,414	-	8,467,414
Contributions	329,978	206,402	536,380
Program service fees			
Patron fines and fees	180,808	-	180,808
Investment income, net	570,463	64,298	634,761
Net realized/unrealized gain/(loss) on investments	(43,219)	(217,427)	(260,646)
Other income			
Refunds and reimbursements	160,793	-	160,793
Rental income	43,962	-	43,962
Miscellaneous	10,810	-	10,810
Net assets released from restrictions	30,956	(30,956)	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	19,617,922	22,317	19,640,239
EXPENSES			
Program services	14,450,591	-	14,450,591
Supporting services			
Management and general	1,458,472	-	1,458,472
Fundraising	25,447	-	25,447
TOTAL EXPENSES	15,934,510	-	15,934,510
CHANGE IN NET ASSETS	3,683,412	22,317	3,705,729
NET ASSETS AT BEGINNING OF YEAR	67,585,741	3,773,979	71,359,720
NET ASSETS AT END OF YEAR	\$ 71,269,153	\$ 3,796,296	\$ 75,065,449

REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES--MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2018

See Accompanying Notes

	Year ended December 31, 2018			
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
COMPENSATION AND RELATED EXPENSES				
Salaries and wages	\$ 6,086,204	\$ 890,419	\$ 18,650	\$ 6,995,273
Payroll taxes	99,665	14,406	270	114,341
Employee benefits:				
Pension	842,572	96,042	2,610	941,224
Other	1,370,236	210,038	3,917	1,584,191
TOTAL COMPENSATION AND RELATED EXPENSES	8,398,677	1,210,905	25,447	9,635,029
Accounting	-	18,371	-	18,371
Advertising	108,633	-	-	108,633
Conferences and conventions	82,736	-	-	82,736
Depreciation	1,197,585	-	-	1,197,585
Information technology	249,233	-	-	249,233
Insurance	66,606	-	-	66,606
Legal fees	-	36,161	-	36,161
Library materials	1,935,231	-	-	1,935,231
Occupancy	931,537	-	-	931,537
Office expense	1,222,305	2,470	-	1,224,775
Organizational memberships	40,377	-	-	40,377
Professional fees	188,815	190,565	-	379,380
Refunds	2,777	-	-	2,777
Travel	26,079	-	-	26,079
TOTAL EXPENSES	\$ 14,450,591	\$ 1,458,472	\$ 25,447	\$ 15,934,510

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – NATURE OF OPERATIONS

The Reuben McMillan Library Association (the Library) is a not-for-profit entity that provides the operation of a free library system for residents of Youngstown, Ohio and the Mahoning County. The Library adopted its articles of incorporation in accordance with Ohio Revised Code Section 1713.28. The Library is funded primarily with public monies to provide free library services.

The Library was established October 27, 1880, under the name “The Youngstown Library Association” and officially changed its legal name in 1898 to “The Reuben McMillan Free Library Association.” The Library is also known as “The Public Library of Youngstown & Mahoning County.”

Program Services

For financial reporting purposes, the Library’s program service is to provide a free public library system that assures equitable access to reliable resources and services throughout the Mahoning County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Library have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles and, accordingly, certain revenue and related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. However, the financial statements do provide for the recognition of market value changes of investments.

Cash and Cash Equivalents

Cash equivalents consist of temporary bank deposits and money market instruments with an original maturity of three months or less as of the purchase date.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of assets, liabilities and net assets. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

The Library capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Library reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Library reclassifies net assets with donor restrictions to net asset without donor restrictions at that time. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Net Assets

The net assets of the Library are reported as follows:

Without Donor Restriction represents operating net assets which are available for the general operations of the Library as net assets without donor restriction, as well as Board-designated net assets set aside for future use.

With Donor Restriction represents gifts of cash or other restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of revenue, expenses and changes in net assets, as net assets released from restrictions.

Income Taxes

The Library is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Compensation related expenses are allocated between program and supporting services based upon estimated time spent by key personnel. Occupancy and office related expenses are allocated based on management's estimate of the square footage occupied by branch and administrative operations.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Library's financial assets as of December 31, 2018, reduced by amounts not available for general use because of donor-imposed restrictions and inactive deposits that the Library has identified as not required for use in meeting general expenditures within one year, or more.

Financial Assets	
Cash and cash equivalents	\$ 20,296,744
Investments	29,121,448
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed purpose restrictions	(3,796,296)
Board designation:	
Quasi-endowment fund, primarily for long-term investing	(1,370,646)
Inactive deposits not required for immediate need	(24,514,373)
Financial assets available to meet cash	
needs for general expenditures within one year	<u>\$ 19,736,877</u>

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE C – AVAILABILITY OF FINANCIAL ASSETS (continued)

The Library is substantially supported by property tax levies and the Public Library Fund as funded through the state of Ohio. As part of the Library’s liquidity management, it has structured its financial assets to be available as its general expenditures and other obligations come due. The inactive deposits may be drawn upon in the event of financial distress or immediate liquidity need resulting from events outside the typical cycle of converting such assets to available cash.

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

Endowment Funds

The Board of Trustees of the Library created various endowment funds consisting of two components: 1) funds without donor restrictions to be used at the direction of the Board of Trustees and 2) funds with donor restriction to be used for purposes determined by the donor. The purpose of these endowments is to support the services of the Library. The objective of the underlying investments within the endowment fund is to allow for growth of principal balances and to provide an income stream for uses of the Library.

The endowments must not be exposed to undue credit or interest-rate risk. The Library does not have an investment policy beyond the requirements of State Statute. Ohio law addresses interest rate risk by requiring that the Library’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity. The Library’s investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the Treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the Treasurer, governing board, or qualified trustee”.

Endowment Net Assets Composition by Type of Fund as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 3,236,429	\$ 3,236,429
Board designated endowment funds	1,370,646	-	1,370,646
TOTAL FUNDS	\$ 1,370,646	\$ 3,236,429	\$ 4,607,075

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets – January 1, 2018	\$ 1,452,524	\$ 3,386,415	\$ 4,838,939
Investment return	35,965	83,381	119,346
Contributions	-	75,470	75,740
Net loss on endowments	(78,237)	(217,557)	(295,794)
Appropriation of endowment assets for expenditure	(39,606)	(91,280)	(130,886)
Endowment net assets – December 31, 2018	\$ 1,370,646	\$ 3,236,429	\$ 4,607,075

Net assets with donor restrictions were available for the following purposes as of December 31, 2018:

Purchase of books	\$ 2,075,356
Maintain and conduct branch operations	789,220
Maintain special delivery services	482,586
Youth program services	198,459
Author events	141,792
Other various restrictions	108,883
TOTAL	\$ 3,796,296

NOTE E – INVESTMENTS

Investments are stated at fair value based on quoted market prices and consist of the following:

	December 31, 2018	
	Cost	Fair Value
Investments:		
Money markets	\$ 1,807,011	\$ 1,807,011
Certificates of deposit	5,987,219	5,987,219
Common stock	1,298,255	1,517,682
Mutual funds	1,552,126	1,403,680
Corporate bonds	709,121	699,693
U.S. Government obligations	17,893,166	17,706,163
TOTAL	\$ 29,246,898	\$ 29,121,448

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE F – NET ASSETS WITHOUT DONOR RESTRICTIONS

The Library’s governing board has designated, from net assets without donor restrictions, net assets for the following purposes:

	<u>December 31,</u> <u>2018</u>
Designated by the governing board	
Purposes of long-term investing	\$ 25,885,019
Undesignated – available for general activities	45,384,134
<hr/>	
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 71,269,153

NOTE G – FAIR VALUE MEASUREMENTS

Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Library has characterized its financial instruments, based on the three levels of the fair value hierarchy are described as follows:

Level 1 fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 fair value inputs are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly or indirectly. Observable inputs include quoted market prices in active markets for similar assets, quoted prices in markets that are not active for identical or similar assets and other market observable inputs such as interest rate, credit spread and foreign currency exchange rates observable in the marketplace or derived from market transactions.

Level 3 fair values are based on at least one significant unobservable input for the asset. Level 3 securities contain unobservable market inputs and as a result considerable judgment may be used in determining the fair values.

Certain investments are measured at fair value using the net asset value (NAV) per share, or its equivalent, as a practical expedient. These investments include commingled funds which may include money market funds, which are typically valued using the NAV provided by the investing agent. In accordance with accounting guidance, these investments have not been classified in the fair value hierarchy.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G – FAIR VALUE MEASUREMENTS (continued)

Money market: As a practical expedient, valued at the NAV of shares held at year end.

Certificates of deposit: Valued at original cost, plus accrued interest, which approximates fair value.

Mutual funds: Valued at quoted market prices on the last business day of the year.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued using pricing models using observable inputs for similar securities. This includes basing value on yields available on comparable securities of issuers with similar credit ratings.

U.S. Government Obligations: Valued using pricing models using observable inputs for similar securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Library believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Library's assets at fair value as of December 31, 2018:

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 5,987,219	\$ -	\$ 5,987,219
Common stock:				
Industrials	174,873	-	-	174,873
Consumer	263,494	-	-	263,494
Materials	40,347	-	-	40,347
Health care	216,475	-	-	216,475
Information technology	382,745	-	-	382,745
Energy	106,353	-	-	106,353
Utilities	89,064	-	-	89,064
Financial	130,635	-	-	130,635
Communication services	82,973	-	-	82,973
Real estate	30,723	-	-	30,723
Mutual funds:				
Bond funds	524,808	-	-	524,808
Equity funds	878,872	-	-	878,872
Corporate bonds	-	699,693	-	699,693
U.S. Government obligations	-	17,706,163	-	17,706,163
Subtotal investments at fair value	\$ 2,921,362	\$ 24,393,075	\$ -	\$ 27,314,437
Investments at net asset value:				
Money markets				1,807,011
TOTAL				\$ 29,121,448

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE H – PENSION AND POSTRETIREMENT PLANS

Ohio Public Employees Retirement System—Pension Plans

Plan Description – Library employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit / 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 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:

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 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.

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE H – PENSION AND POSTRETIREMENT PLANS (continued)

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

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 purchase of a monthly defined benefit annuity from OPERS (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:

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0 %
	<hr/>
Total Employer	14.0 %
	<hr/>
Employee	10.0 %
	<hr/>

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

The Library’s contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$941,224 for 2018, respectively.

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE H – PENSION AND POSTRETIREMENT PLANS (continued)

Ohio Public Employees Retirement System—Postretirement Plan

Plan Description - 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. 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).

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Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2018, 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 2018 was 4.0 percent.

Reuben McMillan Free Library Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE I – CONCENTRATION OF RISK

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The Library maintains a major portion of its funds in investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect that Library's account balances and the amounts reported in the statement of assets, liabilities, and net assets.

Collective Bargaining Arrangements

Approximately 85% of the Library's labor force was subject to collective bargaining agreements as of December 31, 2018. The Library has two collective bargaining agreements, the Public Librarians Association of Youngstown (PLAY) and Clerical/Maintenance/Technical (CMT), these agreements expire March 31, 2020 and April 30, 2020, respectively.

NOTE J – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Library. The impact on the Library's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

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

August 31, 2020

Reuben McMillan Free Library Association
Mahoning County
305 Wick Avenue
Youngstown, Ohio 44503

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 modified cash-basis financial statements of **Reuben McMillan Free Library Association**, Mahoning County, (the Library), which comprise the statements of assets, liabilities and net assets as of and for the years ended December 31, 2019 and 2018, and the related statements of revenue, expenses and changes in net assets and functional expenses for the years then ended, and the related notes to the financial statements and have issued our report thereon dated August 31, 2020, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles and we noted the financial impact of COVID-19 and the ensuing emergency measures will 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) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

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

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

Tax - Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll – Litigation Support – Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Compliance and Other Matters

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

Purpose of this Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

OHIO AUDITOR OF STATE KEITH FABER



REUBEN MCMILLAN FREE LIBRARY ASSOCIATION

MAHONING 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 12/1/2020

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