



OHIO AUDITOR OF STATE
KEITH FABER



**LORAIN PUBLIC LIBRARY SYSTEM
LORAIN COUNTY**

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LORAIN COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library System, Lorain 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 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.

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library System, Lorain County, Ohio, as of December 31, 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 13 to the financial statements, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2022, 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

July 28, 2022

Lorain Public Library System
Statement of Net Position - Cash Basis
December 31, 2020

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$24,487,171 |
| Cash and Cash Equivalents in Segregated Accounts | <u>1,011,211</u> |
| <i>Total Assets</i> | <u><u>\$25,498,382</u></u> |
| Net Position | |
| Restricted for: | |
| Capital Improvements | \$8,962,013 |
| Other Purposes | 1,605,566 |
| Permanent Fund Purpose: | |
| Nonexpendable | 700 |
| Unrestricted | <u>14,930,103</u> |
| <i>Total Net Position</i> | <u><u>\$25,498,382</u></u> |

See accompanying notes to the basic financial statements

Lorain Public Library System
Statement of Activities - Cash Basis
For the Year Ended December 31, 2020

| | Cash Disbursements | Program Cash Receipts | | Net (Disbursements) Receipts and Changes in Net |
|---------------------------------------|-----------------------|--------------------------------------|--|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | \$6,371,667 | \$39,594 | \$427,045 | (\$5,905,028) |
| Collection Development and Processing | 913,567 | | | (913,567) |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 435,985 | | | (435,985) |
| Capital Outlay | 1,302,118 | | | (1,302,118) |
| <i>Total Governmental Activities</i> | <u>\$9,023,337</u> | <u>\$39,594</u> | <u>\$427,045</u> | <u>(8,556,698)</u> |
| | | General Receipts: | | |
| | | | Property Taxes Levied for General Purposes | 5,429,178 |
| | | | Intergovernmental | 4,984,397 |
| | | | Bond Proceeds | 9,000,000 |
| | | | Premium and Accrued Interest on Debt | 419,559 |
| | | | Earnings on Investments | 95,492 |
| | | | Miscellaneous | 169,115 |
| | | | <i>Total General Receipts</i> | <u>20,097,741</u> |
| | | | Change in Net Position | 11,541,043 |
| | | | <i>Net Position Beginning of Year</i> | <u>13,957,339</u> |
| | | | <i>Net Position End of Year</i> | <u>\$25,498,382</u> |

See accompanying notes to the basic financial statements

Lorain Public Library System
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2020

| | <u>General</u> | <u>Construction Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|------------------------------|---|---|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$12,343,820 | \$8,962,013 | \$3,181,338 | \$24,487,171 |
| Cash and Cash Equivalents in Segregated Accounts | | | 1,011,211 | 1,011,211 |
| <i>Total Assets</i> | <u>\$12,343,820</u> | <u>\$8,962,013</u> | <u>\$4,192,549</u> | <u>\$25,498,382</u> |
| Fund Balances | | | | |
| Nonspendable | | | \$700 | \$700 |
| Restricted | | \$8,962,013 | \$1,605,566 | 10,567,579 |
| Assigned | 10,323,441 | | 2,586,283 | 12,909,724 |
| Unassigned (Deficit) | <u>2,020,379</u> | | | <u>2,020,379</u> |
| <i>Total Fund Balances</i> | <u>\$12,343,820</u> | <u>\$8,962,013</u> | <u>\$4,192,549</u> | <u>\$25,498,382</u> |

See accompanying notes to the basic financial statements

Lorain Public Library System
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2020

| | General | Construction Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Property and Other Local Taxes | \$5,429,178 | | | \$5,429,178 |
| Public Library | 4,294,282 | | | 4,294,282 |
| Intergovernmental | 690,115 | | \$300,000 | 990,115 |
| Patron Fines and Fees | 39,594 | | | 39,594 |
| Contributions, Gifts and Donations | 16,829 | \$10,000 | 100,216 | 127,045 |
| Earnings on Investments | 74,478 | 1,986 | 19,028 | 95,492 |
| Miscellaneous | 169,045 | | 70 | 169,115 |
| <i>Total Receipts</i> | <u>10,713,521</u> | <u>11,986</u> | <u>419,314</u> | <u>11,144,821</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 6,222,057 | | 149,610 | 6,371,667 |
| Collection Development and Processing | 901,493 | | 12,074 | 913,567 |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 435,985 | | | 435,985 |
| Capital Outlay | 472,627 | 49,973 | 779,518 | 1,302,118 |
| <i>Total Disbursements</i> | <u>8,032,162</u> | <u>49,973</u> | <u>941,202</u> | <u>9,023,337</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>2,681,359</u> | <u>(37,987)</u> | <u>(521,888)</u> | <u>2,121,484</u> |
| Other Financing Sources (Uses) | | | | |
| Bond Issued | | 9,000,000 | | 9,000,000 |
| Premium (Discount) on Debt Issue | | | 419,559 | 419,559 |
| <i>Total Other Financing Sources (Uses)</i> | <u>0</u> | <u>9,000,000</u> | <u>419,559</u> | <u>9,419,559</u> |
| <i>Net Change in Fund Balances</i> | 2,681,359 | 8,962,013 | (102,329) | 11,541,043 |
| <i>Fund Balances Beginning of Year</i> | <u>9,662,461</u> | <u>0</u> | <u>4,294,878</u> | <u>13,957,339</u> |
| <i>Fund Balances End of Year</i> | <u>\$12,343,820</u> | <u>\$8,962,013</u> | <u>\$4,192,549</u> | <u>\$25,498,382</u> |

See accompanying notes to the basic financial statements

Lorain Public Library System
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2020

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|--------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$5,365,670 | \$5,434,029 | \$5,429,178 | (\$4,851) |
| Public Library | 4,356,408 | 4,013,153 | 4,294,282 | 281,129 |
| Intergovernmental | 690,085 | 685,000 | 690,115 | 5,115 |
| Patron Fines and Fees | 95,000 | 95,000 | 39,594 | (55,406) |
| Contributions, Gifts and Donations | 1,000 | 1,000 | 16,829 | 15,829 |
| Earnings on Investments | 151,000 | 151,000 | 74,478 | (76,522) |
| Miscellaneous | 6,600 | 6,600 | 169,045 | 162,445 |
| <i>Total Receipts</i> | 10,665,763 | 10,385,782 | 10,713,521 | 327,739 |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 8,285,202 | 8,302,186 | 6,361,914 | 1,940,272 |
| Collection Development and Processing | 1,425,377 | 1,428,299 | 1,135,696 | 292,603 |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 736,696 | 738,206 | 533,261 | 204,945 |
| Capital Outlay | 1,747,834 | 1,751,417 | 556,775 | 1,194,642 |
| <i>Total Disbursements</i> | 12,195,109 | 12,220,108 | 8,587,646 | 3,632,462 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (1,529,346) | (1,834,326) | 2,125,875 | 3,960,201 |
| <i>Net Change in Fund Balance</i> | (1,529,346) | (1,834,326) | 2,125,875 | 3,960,201 |
| <i>Unencumbered Fund Balance Beginning of Year</i> | 9,109,890 | 9,109,890 | 9,109,890 | 0 |
| Prior Year Encumbrances Appropriated | 552,571 | 552,571 | 552,571 | 0 |
| <i>Unencumbered Fund Balance End of Year</i> | \$8,133,115 | \$7,828,135 | \$11,788,336 | \$3,960,201 |

See accompanying notes to the basic financial statements

Lorain Public Library System
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2020

| | Wellness Fund |
|--|------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$1,118 |
| <i>Total Assets</i> | <i>\$1,118</i> |
| Net Position | |
| Held on Behalf of Employees in Wellness and Healthcare | |
| Expendable | 1,118 |
| <i>Total Net Position</i> | <i>\$1,118</i> |

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 1 – Description of the Library and Reporting Entity

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

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

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Lorain City School District.

Related Organizations

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Library's accounting policies.

Basis of Presentation

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

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

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

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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. The Library's funds are divided into two categories, governmental and fiduciary.

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

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

Construction Fund The construction fund accounts for and reports restricted bond proceeds specifically for major capital and technology improvements.

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds include custodial funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Library's custodial fund accounts for employees' Wellness-Program Reimbursement Arrangements and is used to hold employee's payroll deductions that are then applied exclusively to reimburse employee's share of personal deductibles under the Library's healthcare insurance plan.

Basis of Accounting

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

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Budgetary Process

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

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

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

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

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

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 Library measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$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 \$74,478 which includes \$28,250 assigned from other Library funds.

Restricted Assets

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

Inventory and Prepaid Items

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

Capital Assets

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Long-Term Obligations

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Net Position

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

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. State Statute authorizes the Library Chief 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.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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.

Note 3 – Budgetary Basis of Accounting

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

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

| | General |
|--------------|-------------|
| Cash Basis | \$2,681,359 |
| Encumbrances | 555,484 |
| Budget Basis | \$2,125,875 |

Note 4 – Deposits and Investments

State statutes classify monies held by the Library into three categories.

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

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

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

Lorain Public Library System
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 institution's 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;
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. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 Chief Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Library’s bank balance of \$17,389,740 was exposed to custodial credit risk because those deposits were insured and collateralized with securities held by the pledging financial institution’s trust department or agent.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the Library and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of December 31, 2020, the Library had the following investments:

| | Measurement | |
|-----------|-------------|------------------|
| | Value | Maturity |
| STAR Ohio | \$8,395,386 | Less than 1 Year |

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 5 – Grants in Aid, Property Taxes, and Tax Abatements

Grants in Aid

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Library. 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, varies from different communities. The assessed values of real property and public utility tangible property upon which 2020 property tax receipts were based are as follows:

| | |
|----------------------------------|-------------------------------|
| <u>Real Property</u> | |
| Residential / Agricultural | \$ 2,413,327,670 |
| Other | 445,361,700 |
| Public Utility Personal Property | <u>84,941,060</u> |
| Total | <u><u>\$2,943,630,430</u></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.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Tax Abatements

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

| <u>Tax Abatement Program</u> | <u>Total Amount of Taxes Abated</u> |
|------------------------------|-------------------------------------|
| Community Reinvestment Area | |
| City of Lorain | \$102,309 |
| City of North Ridgeville | 11,930 |
| Enterprise Zone | |
| City of Avon | 37,142 |
| Total All Abatements | <u>\$151,381</u> |

The Library is not receiving any amount from Lorain County in association with the foregone property tax revenue. Incentives abated for 2018 that would have been collected in 2019 in actual dollars.

Note 6 – Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2020, the Library contracted with several companies for various types of insurance coverage as follows:

| <u>Company</u> | <u>Type of Coverage</u> | <u>Coverage</u> |
|----------------|-------------------------|-------------------------|
| The Ohio Plan | Commercial Property | \$87,643,404 |
| | General Liability | \$5,000,000/\$7,000,000 |
| | Employee Benefits | \$5,000,000/\$7,000,000 |
| | Employee Dishonesty | \$100,000 |
| | Vehicle | \$5,000,000 |
| | Library Officials | \$5,000,000/\$7,000,000 |

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

Workers' Compensation coverage is provided by the State of Ohio. 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.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 7 – Defined Benefit Pension Plan

Plan Description – Ohio Public Employees Retirement System (OPERS)

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. While members (e.g. Library employees) may elect the member-directed plan, substantially all employee members are in OPERS' traditional plan; therefore the following disclosure focuses on the traditional plan.

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

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

| 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 |

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.

Lorain Public Library System
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

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

For 2020, the Library’s contractually required contribution was \$501,489.

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

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.

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.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension plan 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' Annual Comprehensive 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 requiring 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.

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. 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. 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 \$0 for the year 2020.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 9 – Debt

Notes Payable

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

| | Outstanding 12/31/2019 | Additions | Deletions | Outstanding 12/31/2020 | Due in 1 Year |
|--------------------------------------|-----------------------------|--------------------|-----------------------------|---------------------------|------------------|
| Governmental Activities | | | | | |
| Library Facilities Note, Series 2020 | <u> </u> | <u>\$9,000,000</u> | <u> </u> | <u>\$9,000,000</u> | <u>\$325,000</u> |

On October 15, 2020, the Library issued \$9,000,000 in general obligation bonds for the purpose of providing funds to pay the costs of improvements to the Library Facility and to pay issuance costs of the bond. The bond was issued with interest rates varying from 1.5% to 4.0%. The bond will be repaid in semi-annual installments with a maturity date of December 1, 2040.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2020 are as follows:

| Year | Library Facilities Note, Series 2020 | |
|-----------|---|--------------------|
| | Principal | Interest |
| 2021 | \$325,000 | \$249,944 |
| 2022 | 360,000 | 216,750 |
| 2023 | 365,000 | 211,350 |
| 2024 | 370,000 | 205,875 |
| 2025 | 375,000 | 200,325 |
| 2026-2030 | 3,000,000 | 792,300 |
| 2031-2035 | 1,500,000 | 390,900 |
| 2036-2040 | 2,705,000 | 164,500 |
| Total | <u>\$9,000,000</u> | <u>\$2,431,944</u> |

Note 10 – Contingent Liabilities

The Library may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, they believe the resolution of any matter will not materially adversely affect the Library's financial condition.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 11 – Related Organizations

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

The Library has the following affiliated organizations for which it is not accountable:

- Friends of the Avon Library
- Friends of the Columbia Library, Inc.
- Friends of the Domonkas Library
- Friends of the Lorain Public Library, Inc.
- Friends of the North Ridgeville Branch Library, Inc.
- The Foundation of the Lorain Public Library System, Inc.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 12 – Fund Balances

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

| Fund Balances | General | Construction Fund | Other Governmental Funds | Total |
|--------------------------------------|--------------|----------------------|--------------------------------|--------------|
| Nonspendable | | | | |
| Permanent | | | \$700 | \$700 |
| <i>Total Nonspendable</i> | 0 | 0 | 700 | 700 |
| Restricted for | | | | |
| Summer Reading | | | 5,596 | 5,596 |
| Project Life | | | 6,251 | 6,251 |
| State Library Grant | | | 2,064 | 2,064 |
| Coronavirus Relief | | | 56,541 | 56,541 |
| COVID Relief Sub Grant | | | 71,790 | 71,790 |
| Book Memorial | | | 556,864 | 556,864 |
| LPLS Foundation | | | 42 | 42 |
| Debt Service | | | 419,653 | 419,653 |
| Construction | | \$8,962,013 | | 8,962,013 |
| Hageman | | | 417,139 | 417,139 |
| Stocker | | | 27,683 | 27,683 |
| Kurtz Temperance | | | 786 | 786 |
| Domonkas Building | | | 41,157 | 41,157 |
| <i>Total Restricted</i> | 0 | 8,962,013 | 1,605,566 | 10,567,579 |
| Assigned to | | | | |
| Encumbrances | \$555,484 | | | 555,484 |
| Excess Subsequent Year Appropriation | 620,351 | | | 620,351 |
| North Ridgeville Branch | 3,409,420 | | | 3,409,420 |
| Avon Branch | 641,877 | | | 641,877 |
| Columbia Branch | 384,188 | | | 384,188 |
| Domonkas Branch | 392,239 | | | 392,239 |
| Lorain Libraries | 4,319,882 | | | 4,319,882 |
| Building & Repair | | | 2,511,945 | 2,511,945 |
| Capital Improvement | | | 74,338 | 74,338 |
| <i>Total Assigned</i> | 10,323,441 | 0 | 2,586,283 | 12,909,724 |
| Unassigned (Deficit) | 2,020,379 | | | 2,020,379 |
| <i>Total Fund Balances</i> | \$12,343,820 | \$8,962,013 | \$4,192,549 | \$25,498,382 |

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 13 – 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. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Library received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Library. The impact on the Library's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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.

Lorain Public Library System
Statement of Net Position - Cash Basis
December 31, 2019

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$13,031,430 |
| Cash and Cash Equivalents in Segregated Accounts | 925,909 |
| <i>Total Assets</i> | <i>\$13,957,339</i> |
| Net Position | |
| Restricted for: | |
| Other Purposes | 1,040,346 |
| Permanent Fund Purpose: | |
| Nonexpendable | 700 |
| Unrestricted | 12,916,293 |
| <i>Total Net Position</i> | <i>\$13,957,339</i> |

See accompanying notes to the basic financial statements

Lorain Public Library System
Statement of Activities - Cash Basis
For the Year Ended December 31, 2019

| | Cash Disbursements | Program Cash Receipts | | Net (Disbursements) Receipts and Changes in Net |
|---------------------------------------|-----------------------|--------------------------------------|--|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | \$6,953,175 | \$103,397 | \$178,397 | (\$6,671,381) |
| Collection Development and Processing | 1,021,892 | | | (1,021,892) |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 375,642 | | | (375,642) |
| Capital Outlay | 1,025,758 | | | (1,025,758) |
| <i>Total Governmental Activities</i> | <u>\$9,376,467</u> | <u>\$103,397</u> | <u>\$178,397</u> | <u>(9,094,673)</u> |
| | | General Receipts: | | |
| | | | Property Taxes Levied for General Purposes | 5,419,287 |
| | | | Intergovernmental | 4,990,009 |
| | | | Earnings on Investments | 266,531 |
| | | | Miscellaneous | 80,161 |
| | | | <i>Total General Receipts</i> | <u>10,755,988</u> |
| | | | Change in Net Position | 1,661,315 |
| | | | <i>Net Position Beginning of Year</i> | <u>12,296,024</u> |
| | | | <i>Net Position End of Year</i> | <u>\$13,957,339</u> |

See accompanying notes to the basic financial statements

Lorain Public Library System
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2019

| | <u>General</u> | <u>Building & Repair</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|--------------------|----------------------------------|---|---|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$9,662,461 | \$3,141,329 | \$227,640 | \$13,031,430 |
| Cash and Cash Equivalents in Segregated Accounts | | | 925,909 | 925,909 |
| <i>Total Assets</i> | <u>\$9,662,461</u> | <u>\$3,141,329</u> | <u>\$1,153,549</u> | <u>\$13,957,339</u> |
| Fund Balances | | | | |
| Nonspendable | | | \$700 | \$700 |
| Restricted | | | 1,040,346 | 1,040,346 |
| Committed | \$432,960 | | | 432,960 |
| Assigned | 7,905,336 | 3,141,329 | 112,503 | 11,159,168 |
| Unassigned (Deficit) | <u>1,324,165</u> | | | <u>1,324,165</u> |
| <i>Total Fund Balances</i> | <u>\$9,662,461</u> | <u>\$3,141,329</u> | <u>\$1,153,549</u> | <u>\$13,957,339</u> |

See accompanying notes to the basic financial statements

Lorain Public Library System
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2019

| | General | Building & Repair | Other Governmental Funds | Total Governmental Funds |
|--|---------------------------|---------------------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Property and Other Local Taxes | \$5,419,287 | | | \$5,419,287 |
| Public Library | 4,302,311 | | | 4,302,311 |
| Intergovernmental | 687,698 | | | 687,698 |
| Patron Fines and Fees | 103,397 | | | 103,397 |
| Contributions, Gifts and Donations | 11,999 | | \$166,398 | 178,397 |
| Earnings on Investments | 217,760 | \$27,969 | 20,802 | 266,531 |
| Miscellaneous | 80,161 | | | 80,161 |
| <i>Total Receipts</i> | <u>10,822,613</u> | <u>27,969</u> | <u>187,200</u> | <u>11,037,782</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 6,920,947 | | 32,228 | 6,953,175 |
| Collection Development and Processing | 1,002,953 | | 18,939 | 1,021,892 |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 375,642 | | | 375,642 |
| Capital Outlay | 506,265 | 418,487 | 101,006 | 1,025,758 |
| <i>Total Disbursements</i> | <u>8,805,807</u> | <u>418,487</u> | <u>152,173</u> | <u>9,376,467</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>2,016,806</u> | <u>(390,518)</u> | <u>35,027</u> | <u>1,661,315</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | | 2,000,000 | | 2,000,000 |
| Transfers Out | (2,000,000) | | | (2,000,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(2,000,000)</u> | <u>2,000,000</u> | <u>0</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | 16,806 | 1,609,482 | 35,027 | 1,661,315 |
| <i>Fund Balances Beginning of Year</i> | <u>9,645,655</u> | <u>1,531,847</u> | <u>1,118,522</u> | <u>12,296,024</u> |
| <i>Fund Balances End of Year</i> | <u><u>\$9,662,461</u></u> | <u><u>\$3,141,329</u></u> | <u><u>\$1,153,549</u></u> | <u><u>\$13,957,339</u></u> |

See accompanying notes to the basic financial statements

Lorain Public Library System
*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 | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$5,334,036 | \$5,334,036 | \$5,419,287 | \$85,251 |
| Public Library | 4,199,043 | 4,199,043 | 4,302,311 | 103,268 |
| Intergovernmental | 687,488 | 687,488 | 687,698 | 210 |
| Patron Fines and Fees | 99,000 | 99,000 | 103,397 | 4,397 |
| Contributions, Gifts and Donations | 1,000 | 1,000 | 11,999 | 10,999 |
| Earnings on Investments | 138,100 | 138,100 | 217,760 | 79,660 |
| Miscellaneous | 6,600 | 6,600 | 80,161 | 73,561 |
| <i>Total Receipts</i> | <u>10,465,267</u> | <u>10,465,267</u> | <u>10,822,613</u> | <u>357,346</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 9,558,216 | 8,999,468 | 7,102,244 | 1,897,224 |
| Collection Development and Processing | 1,669,287 | 1,571,705 | 1,083,739 | 487,966 |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 739,093 | 695,888 | 456,026 | 239,862 |
| Capital Outlay | 2,806,031 | 2,641,997 | 716,369 | 1,925,628 |
| <i>Total Disbursements</i> | <u>14,772,627</u> | <u>13,909,058</u> | <u>9,358,378</u> | <u>4,550,680</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(4,307,360)</u> | <u>(3,443,791)</u> | <u>1,464,235</u> | <u>4,908,026</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (2,000,000) | (2,000,000) | (2,000,000) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(2,000,000)</u> | <u>(2,000,000)</u> | <u>(2,000,000)</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | (6,307,360) | (5,443,791) | (535,765) | 4,908,026 |
| <i>Unencumbered Fund Balance Beginning of Year</i> | 8,780,501 | 8,780,501 | 8,780,501 | 0 |
| Prior Year Encumbrances Appropriated | 865,154 | 865,154 | 865,154 | 0 |
| <i>Unencumbered Fund Balance End of Year</i> | <u>\$3,338,295</u> | <u>\$4,201,864</u> | <u>\$9,109,890</u> | <u>\$4,908,026</u> |

See accompanying notes to the basic financial statements

Lorain Public Library System
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2019

| | Wellness Fund |
|--|------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$1,118 |
| <i>Total Assets</i> | <u>\$1,118</u> |
| Net Position | |
| Held on Behalf of Employees in Wellness and Healthcare | |
| Expendable | 1,118 |
| <i>Total Net Position</i> | <u>\$1,118</u> |

See accompanying notes to the basic financial statements

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 1 – Description of the Library and Reporting Entity

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

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

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Lorain City School District.

Related Organizations

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Library's accounting policies.

Basis of Presentation

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

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

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

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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. The Library's funds are divided into two categories, governmental and fiduciary.

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

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

Building and Repair Fund The building and repair fund accounts for and reports resources committed by the Board of Library Trustees specifically for major capital and technology improvements.

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

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

Basis of Accounting

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

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

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Budgetary Process

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

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

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

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

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

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 Library measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$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 \$217,760 which includes \$33,244 assigned from other Library funds.

Restricted Assets

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

Inventory and Prepaid Items

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

Capital Assets

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Net Position

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

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. State Statute authorizes the Library Chief 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.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

Internal Activity

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – 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(s) between the budgetary basis and the *cash* basis that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (*cash* basis).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

| | General |
|--------------|-------------|
| Cash Basis | \$16,806 |
| Encumbrances | 552,571 |
| Budget Basis | (\$535,765) |

Note 4 – Deposits and Investments

State statutes classify monies held by the Library into three categories.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 institution's 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;
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);

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Library's bank balance of \$5,719,231 was exposed to custodial credit risk because those deposits were insured and collateralized with securities held by the pledging financial institution's trust department or agent.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the Library and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Investments

As of December 31, 2019, the Library had the following investments:

| | Measurement | |
|-----------|-------------|------------------|
| | Value | Maturity |
| STAR Ohio | \$8,336,119 | Less than 1 Year |

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

Note 5 – Grants in Aid, Property Taxes, and Tax Abatements

Grants in Aid

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Library. 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.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

The full tax rate for all Library operations for the year ended December 31, 2019, varies from different communities. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

| <u>Real Property</u> | |
|----------------------------------|-------------------------------|
| Residential / Agricultural | \$ 2,363,267,580 |
| Other | 451,120,850 |
| Public Utility Personal Property | <u>77,819,000</u> |
| Total | <u><u>\$2,892,207,430</u></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.

Tax Abatements

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

| <u>Tax Abatement Program</u> | <u>Total Amount of Taxes Abated</u> |
|------------------------------|-------------------------------------|
| Community Reinvestment Area | |
| City of Lorain | \$62,820 |
| City of North Ridgeville | 13,181 |
| Enterprise Zone | |
| City of Avon | <u>37,142</u> |
| Total All Abatements | <u><u>\$113,143</u></u> |

The Library is not receiving any amount from Lorain County in association with the foregone property tax revenue. Incentives abated for 2018 that would have been collected in 2019 in actual dollars.

Note 6 – Interfund Balances and Transfers

Transfers

During 2019, the following transfers were made:

| | <u>Transfer from</u> |
|--------------------------|----------------------|
| | <u>Major Funds</u> |
| <u>Transfer to</u> | <u>General</u> |
| Building and Repair Fund | \$2,000,000 |

The above mentioned Transfer From/To was used to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 7 – Risk Management

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
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The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2019, the Library contracted with several companies for various types of insurance coverage as follows:

| Company | Type of Coverage | Coverage |
|---------------|---------------------|-------------------------|
| The Ohio Plan | Commercial Property | \$96,932,855 |
| | General Liability | \$5,000,000/\$7,000,000 |
| | Employee Benefits | \$5,000,000/\$7,000,000 |
| | Employee Dishonesty | \$100,000 |
| | Vehicle | \$5,000,000 |
| | Library Officials | \$5,000,000/\$7,000,000 |

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

Workers' Compensation coverage is provided by the State of Ohio. 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.

Note 8 – Defined Benefit Pension Plan

Plan Description – Ohio Public Employees Retirement System (OPERS)

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. While members (e.g. Library employees) may elect the member-directed plan, substantially all employee members are in OPERS' traditional plan; therefore the following disclosure focuses on the traditional plan.

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

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

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| 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 |

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. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

| | <u>State and Local</u> |
|--|----------------------------|
| 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 |
| | <hr/> |
| Total Employer | 14.0 % |
| | <hr/> <hr/> |
| Employee | 10.0 % |
| | <hr/> <hr/> |

Lorain Public Library System
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Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2019, the Library's contractually required contribution was \$583,044.

Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System

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.

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.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension plan 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' Annual Comprehensive 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 requiring 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.

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 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Lorain Public Library System
Lorain County
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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 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.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$0 for the year 2019.

Note 10 – Construction and Contractual Commitments

The Library Board of Trustees approved various bids through State pricing contracts for the renovation and construction of the culinary makerspace at the Main Library. The work began in 2019 and will be completed in 2020.

Note 11 – Related Organizations

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

The Library has the following affiliated organizations for which it is not accountable:

- Friends of the Avon Library
- Friends of the Columbia Library, Inc.
- Friends of the Domonkas Library
- Friends of the Lorain Public Library, Inc.
- Friends of the North Ridgeville Branch Library, Inc.
- The Foundation of the Lorain Public Library System, Inc.

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 12 – Fund Balances

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

| Fund Balances | General | Building & Repair | Other Governmental Funds | Total |
|-----------------------------|-------------|----------------------|--------------------------------|--------------|
| Nonspendable | | | | |
| Permanent | | | \$700 | \$700 |
| <i>Total Nonspendable</i> | 0 | 0 | 700 | 700 |
| Restricted for | | | | |
| Summer Reading | | | 9,582 | 9,582 |
| Project Life | | | 6,251 | 6,251 |
| Book Memorial | | | 562,829 | 562,829 |
| LPLS Foundation | | | 42 | 42 |
| Hageman | | | 392,513 | 392,513 |
| Stocker | | | 27,488 | 27,488 |
| Kurtz Temperance | | | 775 | 775 |
| Domonkas Building | | | 40,866 | 40,866 |
| <i>Total Restricted</i> | 0 | 0 | 1,040,346 | 1,040,346 |
| Committed to | | | | |
| Clevnet | \$284,452 | | | 284,452 |
| PLA Conference | 7,540 | | | 7,540 |
| OLC Membership | 15,000 | | | 15,000 |
| Bodnar Printing | 104,368 | | | 104,368 |
| Emerge Website | 21,600 | | | 21,600 |
| <i>Total Committed</i> | 432,960 | 0 | 0 | 432,960 |
| Assigned to | | | | |
| Encumbrances | 552,571 | | | 552,571 |
| North Ridgeville Branch | 3,049,274 | | | 3,049,274 |
| Avon Branch | 582,639 | | | 582,639 |
| Columbia Branch | 370,179 | | | 370,179 |
| Domonkas Branch | 300,035 | | | 300,035 |
| Lorain Libraries | 3,050,638 | | | 3,050,638 |
| Building & Repair | | \$3,141,329 | | 3,141,329 |
| Capital Improvement | | | 112,503 | 112,503 |
| <i>Total Assigned</i> | 7,905,336 | 3,141,329 | 112,503 | 11,159,168 |
| Unassigned (Deficit) | 1,324,165 | | | 1,324,165 |
| <i>Total Fund Balances</i> | \$9,662,461 | \$3,141,329 | \$1,153,549 | \$13,957,339 |

Lorain Public Library System
Lorain County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 13 – Subsequent Events

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 impact on the Library's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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.

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OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library System, Lorain County, Ohio, (the Library) as of and for the years ended December 31, 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 July 28, 2022, 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 communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

July 28, 2022

OHIO AUDITOR OF STATE KEITH FABER



LORAIN PUBLIC LIBRARY SYSTEM

LORAIN 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 8/9/2022

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