



OHIO AUDITOR OF STATE
KEITH FABER



**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Library Association of Sandusky
Erie County
114 West Adams Street
Sandusky, Ohio 44870

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Library Association of Sandusky, Erie County, Ohio (the Library), (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2019 and 2018, the related statements of activities and the statements of functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Library, as of December 31, 2019 and 2018, and the respective changes in cash financial position 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, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matters

As discussed in Note 3 to the 2018 financial statements, during 2018 the Library adopted new accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. We did not modify our opinion regarding this matter.

As discussed in Notes 12 and 13 to the 2019 and 2018 financial statements, respectively, 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 March 26, 2021, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, 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

March 26, 2021

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

***Statement of Financial Position - Cash Basis
As of December 31, 2019***

Current Assets

Cash and Cash Equivalents	<u>\$5,716,221</u>
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Net Assets

Without Donor Restrictions	3,820,839
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With Donor Restrictions	<u>1,895,382</u>
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<i>Total Net Assets</i>	<u><u>\$5,716,221</u></u>
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See accompanying notes to the financial statements.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

***Statement of Activities - Cash Basis
For the Year Ended December 31, 2019***

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Property and Other Local Taxes	\$1,321,400		\$1,321,400
Library and Local Government Support	1,637,683		1,637,683
Intergovernmental	139,058		139,058
Patron Fines and Fees	21,764		21,764
Contributions, Gifts and Donations	64,014	\$33,806	97,820
Earnings on Investments	76,127	169,486	245,613
Miscellaneous	9,999		9,999
Net Assets Released From Restrictions	173,734	(173,734)	
<i>Total Revenues and Other Support</i>	<u>3,443,779</u>	<u>29,558</u>	<u>3,473,337</u>
Expenses:			
Program Services	2,644,441		2,644,441
Management and General	325,072		325,072
<i>Total Expenses</i>	<u>2,969,513</u>		<u>2,969,513</u>
Change in Net Assets	474,266	29,558	503,824
Net Assets, Beginning of Year	3,346,573	1,865,824	5,212,397
Net Assets, End of Year	<u>\$3,820,839</u>	<u>\$1,895,382</u>	<u>\$5,716,221</u>

See accompanying notes to the financial statements.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

***Statement of Functional Expenses - Cash Basis
For the Year Ended December 31, 2019***

	Program Services	Management and General	Total Expenses
Expenses:			
Salaries	\$995,156	\$239,061	\$1,234,217
Employee Fringe Benefits	376,086	62,640	438,726
Purchased and Contracted Services	842,415	22,068	864,483
Library Materials and Information	333,487		333,487
Supplies	50,863		50,863
Other	10,060	1,303	11,363
Capital Outlay	36,374		36,374
Total Expenses	\$2,644,441	\$325,072	\$2,969,513

See accompanying notes to the financial statements.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 1 - Reporting Entity

The Library Association of Sandusky, Erie County, Ohio (the Library) opened in 1895 and was organized as an association library at that time under the laws of the State of Ohio. The Library is directed by a ten-member Board of Directors (the Directors) who are self-appointed. Appointments are for five-year terms and members serve without compensation. Under Ohio statutes, the Library is a corporation 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. The Library is organized under section 1713.28 of the Ohio Revised Code and is governed by the Library's Code of Regulations. The Library is a not-for-profit organization exempt from income tax under Section 501 (C) 3 of the U.S. Internal Revenue Code. The administration of the day-to-day operations of the Library is the responsibility of the Executive Director and financial accountability being solely that of the Fiscal Officer, as overseen by the Board of Directors and the finance committee.

Public Entity Risk Pool and Related Organization

The Library participates in a public entity risk pool and is associated with a related organization. Notes 9 and 11 to the financial statements provide additional information for these entities.

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

Basis of Presentation

The Library's financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, Not-for Profit Entities and is prepared in accordance with the cash basis of accounting; consequently, revenues are recognized when received rather than when earned, and expenses and purchases are recognized when cash is disbursed rather than when the obligation is incurred.

As a result of the use of the 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 liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Net Assets and Liquidity

Under FASB ASC Topic 958, the Library is required to report information regarding its financial position and activities according to two classes of net assets. A description of the two net asset classes follows:

- Net Assets Without Donor Restrictions - The part of net assets that is not subject to donor or grantor-imposed restrictions are reported as net assets without donor restrictions.
- Net Assets With Donor Restriction - The part of net assets that is subject to donor or grantor-imposed restrictions are reported as net assets with donor restrictions.

A disaggregated summary of restrictions within each of these net asset classes follows:

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Without Donor Restrictions	
Undesignated	\$3,219,088
Designated by the Board for Building Purposes	601,751
Total Net Assets Without Donor Restrictions	<u>3,820,839</u>
With Donor Restrictions	
Purpose Restrictions	1,866,876
Perpetual in Nature	28,506
Total Net Assets With Donor Restrictions	<u>1,895,382</u>
Total Net Assets	<u>\$5,716,221</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors.

Purposes of Restrictions Accomplished:	
Library Programs	\$12,496
Cultural and Educational Programs for Erie County Residents	161,238
Total Net Assets Released From Restrictions	<u>\$173,734</u>

The Library has no formal policies for managing liquidity. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Library considers all expenditures related to its programs and services as well as any services undertaken to support those activities to be general expenditures. The Library limits appropriations and available resources and anticipates collection of sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Amounts available include undesignated net assets without donor restrictions. Net assets designated by the Board for building purposes could be drawn upon for general expenditures with Board approved action removing the designation.

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 "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.

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.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Capital Assets

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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 6 and 7, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Compensation related expenses are allocated between program and supporting services based upon employee job duties. Purchased and contracted services and other expenses are classified based on actual expenses incurred.

Note 3 - 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.

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;

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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.

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

At year end, the Library had \$300 in undeposited cash on hand which is included as part of "*Cash and Cash Equivalents*" on the financial statements.

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Library.

Investments

During 2019, investments were limited to STAR Ohio (the State Treasury Asset Reserve of Ohio).

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows participants within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company. The Library measures its 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 a NAV per share that approximates fair value. As of December 31, 2019, the NAV per share of funds on deposit with STAR Ohio was \$1,066,433.

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.

Note 4 - Grants in Aid and Taxes

Grants in Aid

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

Property Taxes

The State Library of Ohio defines the service area of public libraries in terms of school districts. For the Library this service area covers the Sandusky City School District, Perkins Local School District, Margareta Local School District, and Kelleys Island Local School District. All the school districts except Margareta currently have voted levies to fund the Library.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library. The County Treasurer collects property taxes on behalf of all taxing districts within the county, including those school districts with Library levies. The County Auditor periodically remits to taxing authorities their portion of taxes collected. The service area school districts forward any levy proceeds collected and remitted to them to the Library.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts the rates for inflation. Property taxes are also reduced for applicable homestead and rollback reductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental revenues. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing districts.

The full tax rate for all Library operations for the year ended December 31, 2019, was \$1.5 mill per \$1,000 of assessed value for City of Sandusky and Perkins Township and \$.8 mill per \$1,000 assessed value for Kelleys Island. The assessed values of real property upon which 2019 property tax receipts were collected were based on 2018 property values in the City of Sandusky, Perkins Township, and Kelleys Island.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Library.

Note 5 - Risk Management

Commercial Insurance

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. The Library contracted with one company for various types of insurance coverage.

The Library has obtained commercial insurance for the following risks among others:

- Comprehensive property and general liability;
- Personal property;
- Fine arts;
- Employment practices;
- Vehicles; and
- Errors and omissions.

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.

Note 6 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description - Library employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit /defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

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

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

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

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

- * This rate is determined by OPERS' Board and has no maximum rate established by ORC.
- ** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.
- *** Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- **** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$171,954 for the year 2019.

Note 7 - 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. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS CAFR referenced below for additional information.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

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. This is 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 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 8 - Leases

The Library leases parking spaces, copiers, and postage equipment under noncancelable leases. The Library disbursed \$17,746 to pay lease costs for the year ended December 31, 2019. The minimum future lease payments remaining on these leases are as follows:

Year	Amount
2020	\$10,822
2021	8,918
2022	8,918
2023	8,918
2024	6,689
	<u>\$44,265</u>

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**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 9 - Public Entity Risk Pool

Workers' Compensation Insurance

The Library belongs to the Ohio Library Council Workers Compensation Group Rating Program, Group # 05-2001. The group includes other library members and its purpose is to obtain favorable premium ratings for the members in the group. 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 of the group. The Workers Compensation System administers and pays all claims.

Note 10 - Lease and Sublease of Library Premises

The Library entered into a lease and sublease agreement with the City of Sandusky, Ohio (the City) on January 19, 2000. The agreement leased the original Sandusky Library property and former County Jail property to the City to allow the City to renovate the Library and former County Jail Property and construct additional space, all to serve as the expanded Library, to furnish and equip the expanded Library, construct additional parking and otherwise improve the site. The lease agreement requires no rent or lease payments to be charged the City. The City was obligated to issue \$7,200,000 in bonds to pay for costs of the expanded Library. The bond issue has a twenty-five-year duration, with an anticipated full retirement date of December 1, 2023.

The City subleased the expanded Library back to the Library commencing on the same date and expiring on the date on which all the bonds are retired. The purpose of the sublease is to enable the Library to provide library services to the residents of the City. The Library is required to operate, maintain and repair the premises, and to provide furnishings, equipment, and staff as well as pay for all expenses associated with the expanded Library, property, including utilities and insurance.

Note 11 - Related Organization

The Library has control and an economic interest in the Sandusky Library and Follett House Museum Foundation (The Foundation). The Foundation is a separate not-for-profit corporation organized to serve for the benefit and services of the Library. The Foundation is managed by a board of directors consisting of nine members, four of whom serve as community members, four of whom are Library Board members, and one of whom is the Executive Director. The Library is not financially accountable for the organization, nor does the Library approve the budget of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

Note 12 - Subsequent Event

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

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

***Statement of Financial Position - Cash Basis
As of December 31, 2018***

Current Assets

Cash and Cash Equivalents	<u>\$5,212,397</u>
---------------------------	--------------------

Net Assets

Without Donor Restrictions	3,346,573
With Donor Restrictions	<u>1,865,824</u>
<i>Total Net Assets</i>	<u>\$5,212,397</u>

See accompanying notes to the financial statements.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

***Statement of Activities - Cash Basis
For the Year Ended December 31, 2018***

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Property and Other Local Taxes	\$1,321,529		\$1,321,529
Library and Local Government Support	1,570,061		1,570,061
Intergovernmental	103,906		103,906
Patron Fines and Fees	37,447		37,447
Contributions, Gifts and Donations	43,277	\$37,005	80,282
Earnings on Investments	44,883	149,400	194,283
Miscellaneous	12,157		12,157
Net Assets Released From Restrictions	101,068	(101,068)	
<i>Total Revenues and Other Support</i>	<u>3,234,328</u>	<u>85,337</u>	<u>3,319,665</u>
Expenses:			
Program Services	2,613,389		2,613,389
Management and General	365,645		365,645
<i>Total Expenses</i>	<u>2,979,034</u>		<u>2,979,034</u>
Change in Net Assets	255,294	85,337	340,631
Net Assets, Beginning of Year (Restated)	3,091,279	1,780,487	4,871,766
Net Assets, End of Year	<u>\$3,346,573</u>	<u>\$1,865,824</u>	<u>\$5,212,397</u>

See accompanying notes to the financial statements.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

***Statement of Functional Expenses - Cash Basis
For the Year Ended December 31, 2018***

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Expenses:			
Salaries	\$1,037,759	\$273,828	\$1,311,587
Employee Fringe Benefits	398,106	67,242	465,348
Purchased and Contracted Services	753,450	23,038	776,488
Library Materials and Information	311,361		311,361
Supplies	50,841		50,841
Other	10,286	1,537	11,823
Capital Outlay	51,586		51,586
Total Expenses	<u>\$2,613,389</u>	<u>\$365,645</u>	<u>\$2,979,034</u>

See accompanying notes to the financial statements.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 - Reporting Entity

The Library Association of Sandusky, Erie County, Ohio (the Library) opened in 1895 and was organized as an association library at that time under the laws of the State of Ohio. The Library is directed by a ten-member Board of Directors (the Directors) who are self-appointed. Appointments are for five-year terms and members serve without compensation. Under Ohio statutes, the Library is a corporation 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. The Library is organized under section 1713.28 of the Ohio Revised Code and is governed by the Library's Code of Regulations. The Library is a not-for-profit organization exempt from income tax under Section 501 (C) 3 of the U.S. Internal Revenue Code. The administration of the day-to-day operations of the Library is the responsibility of the Executive Director and financial accountability being solely that of the Fiscal Officer, as overseen by the Board of Directors and the finance committee.

Public Entity Risk Pool and Related Organization

The Library participates in a public entity risk pool and is associated with a related organization. Notes 10 and 12 to the financial statements provide additional information for these entities.

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

Basis of Presentation

The Library's financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, Not-for Profit Entities and is prepared in accordance with the cash basis of accounting; consequently, revenues are recognized when received rather than when earned, and expenses and purchases are recognized when cash is disbursed rather than when the obligation is incurred.

As a result of the use of the 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 liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Net Assets and Liquidity

Under FASB ASC Topic 958, the Library is required to report information regarding its financial position and activities according to two classes of net assets. A description of the two net asset classes follows:

- Net Assets Without Donor Restrictions - The part of net assets that is not subject to donor or grantor-imposed restrictions are reported as net assets without donor restrictions.
- Net Assets With Donor Restriction - The part of net assets that is subject to donor or grantor-imposed restrictions are reported as net assets with donor restrictions.

A disaggregated summary of restrictions within each of these net asset classes follows:

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Without Donor Restrictions	
Undesignated	\$2,904,666
Designated by the Board for Building Purposes	441,907
Total Net Assets Without Donor Restrictions	3,346,573
With Donor Restrictions	
Purpose Restrictions	1,837,318
Perpetual in Nature	28,506
Total Net Assets With Donor Restrictions	1,865,824
Total Net Assets	\$5,212,397

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors.

Purposes of Restrictions Accomplished:	
Library Programs	\$18,515
Cultural and Educational Programs for Erie County Residents	82,553
Total Net Assets Released From Restrictions	\$101,068

The Library has no formal policies for managing liquidity. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Library considers all expenditures related to its programs and services as well as any services undertaken to support those activities to be general expenditures. The Library limits appropriations to available resources and anticipates collection of sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Amounts available include undesignated net assets without donor restrictions. Net assets designated by the Board for building purposes could be drawn upon for general expenditures with Board approved action removing the designation.

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 "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.

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.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Capital Assets

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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).

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Compensation related expenses are allocated between program and supporting services based upon employee job duties. Purchased and contracted services and other expenses are classified based on actual expenses incurred.

Note 3 - Change in Accounting Principle

For 2018 the Library implemented Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. The implementation of ASU No. 2016-14 had the following effect on net assets previously reported at December 31, 2017:

		Temporarily Restricted	Permanently Restricted	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, December 31, 2017	\$3,100,965	\$1,740,808	\$29,993			\$4,871,766
Reclassification of Net Assets	(\$3,100,965)	(\$1,740,808)	(\$29,993)	\$3,091,279	\$1,780,487	
Restated Net Assets, December 31, 2017				\$3,091,279	\$1,780,487	\$4,871,766

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.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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.

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

At year end, the Library had \$300 in undeposited cash on hand which is included as part of "*Cash and Cash Equivalents*" on the financial statements.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Library.

Investments

During 2018, investments were limited to STAR Ohio (the State Treasury Asset Reserve of Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows participants within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company. The Library measures its 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 a NAV per share that approximates fair value. As of December 31, 2018, the NAV per share of funds on deposit with STAR Ohio was \$1,042,010.

For 2018, 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.

Note 5 - Grants in Aid and Taxes

Grants in Aid

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

Property Taxes

The State Library of Ohio defines the service area of public libraries in terms of school districts. For the Library this service area covers the Sandusky City School District, Perkins Local School District, Margareta Local School District, and Kelleys Island Local School District. All the school districts except Margareta currently have voted levies to fund the Library.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library. The County Treasurer collects property taxes on behalf of all taxing districts within the county, including those school districts with Library levies. The County Auditor periodically remits to taxing authorities their portion of taxes collected. The service area school districts forward any levy proceeds collected and remitted to them to the Library.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts the rates for inflation. Property taxes are also reduced for applicable homestead and rollback reductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental revenues. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20. Public utilities are also taxed on personal and real property located within the taxing districts.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The full tax rate for all Library operations for the year ended December 31, 2018, was \$1.5 mill per \$1,000 of assessed value for City of Sandusky and Perkins Township and \$.8 mill per \$1,000 assessed value for Kelleys Island. The assessed values of real property upon which 2018 property tax receipts were collected were based on 2017 property values in the City of Sandusky, Perkins Township, and Kelleys Island.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

Note 6 - Risk Management

Commercial Insurance

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. The Library contracted with one company for various types of insurance coverage.

The Library has obtained commercial insurance for the following risks among others:

- Comprehensive property and general liability;
- Personal property;
- Fine arts;
- Employment practices;
- Vehicles; and
- Errors and omissions.

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.

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description - Library employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit /defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

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

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

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**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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

**** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$179,910 for the year 2018.

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**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is 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 2018, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

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 2018.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 9 - Leases

The Library leases parking spaces, copiers and postage equipment under noncancelable leases. The Library disbursed \$19,599 to pay lease costs for the year ended December 31, 2018. The minimum future lease payments remaining on these leases are as follows:

Year	Amount
2019	\$21,196
2020	21,196
	\$42,392

Note 10 - Public Entity Risk Pool

Workers' Compensation Insurance

The Library belongs to the Ohio Library Council Workers Compensation Group Rating Program, Group # 05-2001. The group includes other library members and its purpose is to obtain favorable premium ratings for the members in the group. 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 of the group. The Workers Compensation System administers and pays all claims.

Note 11 - Lease and Sublease of Library Premises

The Library entered into a lease and sublease agreement with the City of Sandusky, Ohio (the City) on January 19, 2000. The agreement leased the original Sandusky Library property and former County Jail property to the City to allow the City to renovate the Sandusky Library and former County Jail Property and construct additional space, all to serve as the expanded Library, to furnish and equip the expanded Library, construct additional parking and otherwise improve the site. The lease agreement requires no rent or lease payments to be charged the City. The City was obligated to issue \$7,200,000 in bonds to pay for costs of the expanded Library. The bond issue has a twenty-five-year duration, with an anticipated full retirement date of December 1, 2023.

The City subleased the expanded Library back to the Library commencing on the same date and expiring on the date on which all the bonds are retired. The purpose of the sublease is to enable the Library to provide library services to the residents of the City. The Library is required to operate, maintain and repair the premises, and to provide furnishings, equipment, and staff as well as pay for all expenses associated with the expanded Library, property, including utilities and insurance.

Note 12 - Related Organization

The Library has control and an economic interest in the Sandusky Library and Follett House Museum Foundation (The Foundation). The Foundation is a separate not-for-profit corporation organized to serve for the benefit and services of the Library. The Foundation is managed by a board of directors consisting of nine members, four of whom serve as community members, four of whom are Library Board members, and one of whom is the Executive Director. The Library is not financially accountable for the organization, nor does the Library approve the budget of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 13 - Subsequent Event

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

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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

Library Association of Sandusky
Erie County
114 West Adams Street
Sandusky, Ohio 44870

To the Board of Directors:

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 financial statements of the Library Association of Sandusky, Erie County, Ohio (the Library), (a not-for-profit corporation), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2021, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles. We also noted the Library adopted new accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* during 2018. In addition, we 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

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*.

Library's Response to Finding

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Library's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 26, 2021

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to a difference of interpretation of the update, the Library failed to present or disclose expenses by both functional and natural classifications as required by Financial Accounting Standards Board (FASB) Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* for the years ended December 31, 2019 and 2018 in its annual report filings with the Hinkle System.

By not presenting expenses by both functional and natural classifications on the face of the financial statements, in a separate statement, or as a disclosure in the notes to the financial statements, the Library did not fully disclose or present the updated requirements for the financial statements and notes to the financial statements about its financial performance. The financial statements have been updated by the Library to present expenses by both functional and natural classifications in the Statements of Functional Expenses.

The Library should monitor FASB updates for new financial statements and notes filing requirements and ensure all required financial statements and notes components are included in the annual report filings.

Officials' Response:

The Library's management does not agree with the basis of the audit finding. The Library is an association library incorporated as a not-for-profit entity under Ohio Law for the purpose of providing library services. The draft financial statements submitted for audit included a statement of activities with functional expenses captioned 'Library Programs and Services – General and Administrative', that were further disaggregated by natural expense classifications. The Library considers the draft financial statements submitted for audit to be an accurate presentation for the reasons set forth below.

In preparing the draft financial statements the Library considered:

- Financial Accounting Standards Board (FASB) Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, section 958-720-45-15, which states in part, 'The relationship between functional classification and natural classification for all expenses shall be presented in an analysis that disaggregates functional expense classifications, such as major classes of program services and supporting activities, by their natural expense classifications..'. The Library interprets the preceding to require a disaggregation of functional expense classification by natural expense classification. The term 'such as' infers major classes of program services and supporting activities may be used to disaggregate functional expense, however this language does not appear to impose a requirement to disaggregate functional expense to any specified minimal level.

**FINDING NUMBER 2019-001
(Continued)**

- FASB Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, section 958-205-55-2, which states in part, 'Not-for-profit entities (NFPs) are encouraged to provide information in ways that are most relevant and understandable to donors, creditors, and other external users of financial statements.' The Library considered the information provided in Ohio library audits that utilize differing basis of accounting in drafting the statements submitted for audit. By utilizing a single functional expense classification similar to that permitted under the regulatory basis of accounting, and disaggregating by natural expense classification, the Library attempted to bridge the differences in these basis of accounting to provide comparability to other Ohio libraries that would be relevant to users of the financial statements.
- Financial Accounting Standards Board (FASB) Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, section 958-205-55-2, states in part, 'These illustrations are intended as examples only; they present only a few of the permissible formats. Other formats or levels of detail may be appropriate for certain circumstances.' The Library does not interpret the illustrative examples as specifying a required format under the standard but rather that other formats or levels of detail would be permissible for a given set of circumstances.
- The Auditor of State regulatory basis of accounting summarizes the presentation and disclosure requirements the Auditor of State deems relevant for Ohio governments to appropriately report financial information to users of the financial statements. Under the regulatory basis for libraries the classification of all expenditures under the single account title 'Library Services' is permitted. While a different basis of accounting than the draft financial statements submitted for audit, this treatment reasonably infers the minimal level of reporting the Auditor of State deems sufficient for Ohio libraries.

While the Auditor of State provided illustrative examples to support their position the functional expense classification must be disaggregated by major class, none of the illustrative examples were specific to libraries, nor did the examples indicate they were intended to specify a required format. While the Library's position regarding the draft financial statements has not changed, given the potential modification of the opinion on the Library's draft financial statements the Library accepted the Auditor of State's differing opinion and modified the statements accordingly. Since the Library's annual financial statements are subject to biennial audits performed by the Auditor of State, the Library has submitted the annual report for the year ended December 31, 2020, in a format that is consistent with the audited statements and will continue to utilize this manner of presentation moving forward.

Auditor of State's Conclusion:

Financial Accounting Standards Board (FASB) Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, Section 958-10-65-1b and Section 958-205-45-6 indicate that an analysis of expenses by both functional classification and natural classification as required by paragraph 958-720-45-15 is required.

Financial Accounting Standards Board (FASB) Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, Section 958-205-55-3 indicates the illustrations also include certain notes to financial statements for matters discussed in Subtopics 958-210, 958-225, and 958-230. The illustrative notes are not intended to illustrate compliance with all generally accepted accounting principles (GAAP) and specialized accounting and reporting principles and practices.

In addition, The AoS regulatory basis is not intended to be used for a FASB presentation as our basis does not adhere to FASB pronouncements.

**FINDING NUMBER 2019-001
(Continued)**

Ultimately, Financial Accounting Standards Board (FASB) Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* requires the presentation of expenses by both functional and natural classifications on the face of the financial statements, in a separate statement, or as a disclosure in the notes to the financial statements. The annual reports filed in the Hinkle system for 2018 and 2019 omitted this presentation.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2019-001 in this report.	The matters reported as part of Finding 2017-001 were corrected during the current audit. However, a matter not previously communicated as part of Finding 2017-001 was identified during the current audit period, resulting in a material weakness. This error occurred due to a difference in interpretation of the FASB update. The Library has submitted the annual report for the year ended December 31, 2020 in a format that is consistent with the audited statements and will continue to utilize this manner of presentation moving forward.

OHIO AUDITOR OF STATE KEITH FABER



LIBRARY ASSOCIATION OF SANDUSKY

ERIE 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 4/13/2021

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This report is a matter of public record and is available online at
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