



OHIO AUDITOR OF STATE
KEITH FABER



**LAKESWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Lakewood Public Library
Cuyahoga County
15425 Detroit Avenue
Lakewood, Ohio 44107

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakewood Public Library, Cuyahoga County, Ohio (the Library), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library, as of December 31, 2021 and 2020, and the respective changes in cash-basis financial position and the budgetary comparison for the General Fund for the years then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 12 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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

We applied no procedures to management's discussion & analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's 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

February 22, 2023

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LAKESWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2021, (unaudited)

This discussion and analysis of the Lakewood Public Library's, Cuyahoga County, (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2021, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2021 are as follows:

Net position of total government activities decreased from 2020 by \$804,400 or 9 percent. The fund most impacted by the decrease in cash and cash equivalents was the Capital Fund which decreased by \$1,842,810 due to the Madison Branch Capital Project. The completion of this project will be in early 2022 and nearly all expenditures occurred in 2021. The Other Governmental Funds decreased by \$17,844 as a result of program and capital expenditures. The General Fund increased by \$1,055,894.

The library's general receipts are primarily property taxes and Public Library Fund ("PLF"). These represent 97.8 percent of the total cash received for the General Fund during the year. PLF tax receipts for 2021 increased compared to 2020, with an increase of \$262,842.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the library's cash basis of accounting.

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2021, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

In the statement of net position and the statement of activities, the Library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by property taxed and PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds, not the Library as a whole. The Library establishes separate funds to better manage its many activities and to demonstrate that restricted money is being spent for the intended purpose. All of the Library's funds are accounted for as Governmental Funds.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
 Management's Discussion and Analysis
 For the Year Ended December 31, 2021, (unaudited)

Governmental Funds - The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) are combined and presented in total in a single column. In 2021, the Library's major governmental funds is the General Fund and the Capital Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. This relationship is described in reconciliations presented with the governmental fund financial statements.

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2021 and 2020 on a cash basis:

Table 1 - Net Position

| | Governmental Activities | |
|--|------------------------------------|----------------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 7,752,945 | \$ 8,557,345 |
| NET POSITION | | |
| Restricted for: | | |
| Capital Projects | 888,389 | 12,130 |
| Permanent Fund | 882,616 | 900,101 |
| Unrestricted | <u>5,981,940</u> | <u>7,645,114</u> |
| Total Net Position | <u><u>\$ 7,752,945</u></u> | <u><u>\$ 8,557,345</u></u> |

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2021 (unaudited)

Table 2 reflects the changes in net position in 2021 and 2020.

Table 2 - Change in Net Position

| | <u>Governmental Activities</u> | |
|---------------------------------------|--------------------------------|---------------------|
| | 2021 | 2020 |
| <u>Receipts</u> | | |
| <u>Program Receipts</u> | | |
| Charge for Services | \$ 14,213 | \$ 88,818 |
| Operating Grants and Contributions | 51,584 | - |
| Total Program Receipts | <u>65,797</u> | <u>88,818</u> |
| <u>General Receipts</u> | | |
| Property and Other Local Taxes | 2,255,339 | 2,011,474 |
| Intergovernmental | 2,557,468 | 2,294,360 |
| Gifts, Grants, and Contributions | 33,736 | 28,596 |
| Earnings on Investments | 6,760 | 53,671 |
| Total General Receipts | <u>4,853,303</u> | <u>4,388,101</u> |
| Total Receipts | <u>4,919,100</u> | <u>4,476,919</u> |
| <u>Disbursements</u> | | |
| Library Services: | | |
| Public Services and Programs | 1,114,040 | 1,094,981 |
| Collection Development and Processing | 902,909 | 981,619 |
| Supporting Services: | | |
| Facilities Operation and Maintenance | 684,675 | 749,630 |
| Information Services | 425,824 | 437,607 |
| Business Administration | 445,859 | 414,174 |
| Capital Outlay | 2,150,193 | 132,245 |
| Total Disbursements | <u>5,723,500</u> | <u>3,810,256</u> |
| Change in Net Position | (804,400) | 666,663 |
| Net Position at January 1 | <u>8,557,345</u> | <u>7,890,682</u> |
| Net Position at December 31 | <u>\$ 7,752,945</u> | <u>\$ 8,557,345</u> |

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2021 (unaudited)

For 2021, program receipts represent 1.33 percent of total receipts and are primarily comprised of grants. General receipts represent 98.67 percent of the Library's total receipts, and of this amount, over 46.47 percent are local taxes. Grants and entitlements not restricted to specific programs make up another 52.69 percent of the Library general receipts.

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

Governmental Activities

Reviewing the Statement of Activities on page 13, the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration and Capital Outlay. The next column of the statement entitled Program Cash Receipts identifies the amounts paid by people who are directly charged for the service. The Net (Disbursements) Receipts and Changes in Net Position column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service which end up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3 - Comparison of Total Cost and Net Cost of Services

| | Total Cost of Services | | Net Cost of Services | |
|---------------------------------------|------------------------|---------------------|----------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Library Services: | | | | |
| Public Services and Programs | \$ 1,114,040 | \$ 1,094,981 | \$ 1,099,755 | \$ 1,076,174 |
| Collection Development and Processing | 902,909 | 981,619 | 902,886 | 981,589 |
| Supporting Services: | | | | |
| Facilities Operation and Maintenance | 684,675 | 749,630 | 679,335 | 699,496 |
| Information Services | 425,824 | 437,607 | 425,641 | 435,706 |
| Business Administration | 445,859 | 414,174 | 442,189 | 396,228 |
| Capital Outlay | 2,150,193 | 132,245 | 2,107,897 | 132,245 |
| Total Governmental Activities | <u>\$ 5,723,500</u> | <u>\$ 3,810,256</u> | <u>\$ 5,657,703</u> | <u>\$ 3,721,438</u> |

The dependence upon general receipts is apparent as over 98.67 of library services are supported through these receipts.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2021 (unaudited)

The Library's Funds

In 2021, total governmental funds had receipts of \$4,919,099 and disbursements of \$5,723,500. The greatest change within governmental funds occurred within the General Fund and Capital Fund which increased by \$1,055,894 and decreased by \$1,842,810 respectively. This is primarily as a result of conservative management of revenue and disbursements within the General Fund and the Madison Branch Capital Project within the Capital Fund.

General Fund Budgeting Highlights

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

During 2021, the Library submitted one General Fund budget. Disbursements were budgeted at \$4,326,407 (not including contingency of \$129,792). Actual disbursements were \$3,570,089 for 2021. Actual receipts were above budgeted receipts. The difference between actual receipts and budgeted receipts was \$774,216. Maintaining actual expenditures well below projected levels and recognizing receipts above projected levels allowed the library to experience a net favorable fund balance variance to budget.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. The Library relies heavily on local taxes and PLF funding. The Library has stable funds and adequate reserves but relies on State funding to remain in this strong financial position.

A prominent area of concern continues to be the containment of health care costs. The Library has worked hard to control increases in this area by working with a broker and seeking competitive proposals. This has allowed the Library to maintain high levels of coverage for employees at the lowest cost possible.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to William R. Costello, Jr., CPA, Lakewood Public Library, 15425 Detroit Avenue, Lakewood, Ohio, 44107.

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Lakewood Public Library
Cuyahoga County
Statement of Net Position - Cash Basis
December 31, 2021

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Equity in Pooled Cash and Cash Equivalents | \$ 7,752,945 |
| Total Assets | <u>\$ 7,752,945</u> |
| NET POSITION | |
| Restricted for: | |
| Capital Projects | \$ 888,389 |
| Permanent Fund | 882,616 |
| Unrestricted | <u>5,981,940</u> |
| Total Net Position | <u>\$ 7,752,945</u> |

See accompanying notes to the basic financial statements.

Lakewood Public Library
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2021

| | | Program Cash Receipts | | | | Net (Disbursements) Receipts and Changes in Net Governmental Activities |
|---|-----------------------|-------------------------|-------------------------------------|---------------------------------------|--|--|
| | Cash Disbursements | Charges for Services | Capital Grants and Contributions | Operating Grants and Contributions | | |
| Primary Government: | | | | | | |
| Governmental Activities | | | | | | |
| Library Services: | | | | | | |
| Public Services and Programs | \$ 1,114,040 | \$ 4,997 | \$ - | \$ 9,288 | | \$ (1,099,755) |
| Collection Development and Processing | 902,909 | 23 | | | | (902,886) |
| Supporting Services: | | | | | | |
| Facilities Operations and Maintenance | 684,675 | 5,340 | | | | (679,335) |
| Information Services | 425,824 | 183 | | | | (425,641) |
| Business Administration | 445,859 | 3,670 | | | | (442,189) |
| Capital Outlay | 2,150,193 | - | 42,296 | - | | (2,107,897) |
| Total Governmental Activities | \$ 5,723,500 | \$ 14,213 | \$ 42,296 | \$ 9,288 | | \$ (5,657,703) |
| General Receipts | | | | | | |
| Property Taxes Levied for General Purposes | | | | | | 2,255,339 |
| Unrestricted Gifts and Contributions | | | | | | 33,736 |
| Grants & Entitlements not Restricted to Specific Programs | | | | | | 2,557,468 |
| Earnings on Investments | | | | | | 6,760 |
| Total General Receipts | | | | | | 4,853,303 |
| Change in Net Position | | | | | | (804,400) |
| Net Position - Beginning of Year | | | | | | 8,557,345 |
| Net Position - End of Year | | | | | | \$ 7,752,945 |

See accompanying notes to the basic financial statements.

Lakewood Public Library
Cuyahoga County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2021

| | <u>General Fund</u> | <u>Capital Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|-------------------------|---|---|
| ASSETS | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 5,981,940 | \$ 888,389 | \$ 882,616 | \$ 7,752,945 |
| Total Assets | <u>\$ 5,981,940</u> | <u>\$ 888,389</u> | <u>\$ 882,616</u> | <u>\$ 7,752,945</u> |
| Fund Balances | | | | |
| <i>Restricted for</i> | | | | |
| Capital Projects | \$ - | \$ 12,130 | \$ - | \$ 12,130 |
| Endowment Specified Use | - | - | 882,616 | 882,616 |
| <i>Committed to</i> | | | | |
| Capital Projects | - | 534,414 | - | 534,414 |
| | - | - | - | - |
| <i>Assigned to</i> | | | | |
| Purchases on Order | - | 341,845 | - | 341,845 |
| Subsequent Year Appropriation | - | - | - | - |
| <i>Unassigned</i> | 5,981,940 | - | - | 5,981,940 |
| Total Fund Balances | <u>\$ 5,981,940</u> | <u>\$ 888,389</u> | <u>\$ 882,616</u> | <u>\$ 7,752,945</u> |

See accompanying notes to the basic financial statements.

Lakewood Public Library
Cuyahoga County
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

| | General Fund | Capital Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------|-------------------------|---|---|
| <u>Receipts</u> | | | | |
| Property & Other Local Taxes | \$ 2,255,339 | \$ - | \$ - | \$ 2,255,339 |
| Intergovernmental | 2,557,468 | - | - | 2,557,468 |
| Patron Fines and Fees | 2,605 | - | - | 2,605 |
| Unrestricted Gifts and Contributions | 33,736 | - | - | 33,736 |
| Earnings on Investments | 5,939 | 87 | 734 | 6,760 |
| Miscellaneous | 20,896 | 42,296 | - | 63,192 |
| Total Receipts | 4,875,983 | 42,383 | 734 | 4,919,100 |
| <u>Disbursements</u> | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 1,110,822 | - | 3,218 | 1,114,040 |
| Collection Development and Processing | 902,909 | - | - | 902,909 |
| Supporting Services: | | | | |
| Facilities Operation and Maintenance | 684,675 | - | - | 684,675 |
| Information Services | 425,824 | - | - | 425,824 |
| Business Administration | 445,859 | - | - | 445,859 |
| Capital Outlay | - | 2,135,193 | 15,000 | 2,150,193 |
| Total Disbursements | 3,570,089 | 2,135,193 | 18,218 | 5,723,500 |
| Excess of Receipts | | | | 0 |
| Over(Under) Disbursements | 1,305,894 | (2,092,810) | (17,484) | (804,400) |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfer In | - | 250,000 | - | 250,000 |
| (Transfer Out) | (250,000) | - | - | (250,000) |
| Total Other Financing Sources (Uses) | (250,000) | 250,000 | - | - |
| Net Change in Fund Balance | 1,055,894 | (1,842,810) | (17,484) | (804,400) |
| Beginning Fund Balance | 4,926,046 | 2,731,199 | 900,100 | 8,557,345 |
| Ending Fund Balance | \$ 5,981,940 | \$ 888,389 | \$ 882,616 | \$ 7,752,945 |

See accompanying notes to the basic financial statements.

Lakewood Public Library

Cuyahoga County

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in
Cash Basis Fund Balances of Governmental Funds to the Statement of Activities*

*For the Year Ended
December 31, 2021*

| | |
|---|--------------------|
| Net Changes in Fund Balances -Total Governmental Funds | <u>\$(804,400)</u> |
| <i>Change in Net Position of Governmental Activities</i> | <u>\$(804,400)</u> |

See accompanying notes to the basic financial statements

Lakewood Public Library
Cuyahoga County
General Fund

*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
For the Year Ended December 31, 2021*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Receipts</u> | | | | |
| Property & Other Local Taxes | \$ 1,963,432 | \$ 1,963,432 | \$ 2,255,339 | \$ 291,907 |
| Intergovernmental | 2,083,335 | 2,083,335 | 2,557,468 | 474,133 |
| Patron Fines and Fees | 25,000 | 25,000 | 2,605 | (22,395) |
| Unrestricted Gifts and Contributions | 5,000 | 5,000 | 33,736 | 28,736 |
| Earnings on Investments | 25,000 | 25,000 | 5,939 | (19,061) |
| Miscellaneous | - | - | 20,896 | 20,896 |
| Total Receipts | <u>4,101,767</u> | <u>4,101,767</u> | <u>4,875,983</u> | <u>774,216</u> |
| <u>Disbursements</u> | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 1,608,418 | 1,608,418 | 1,110,822 | 497,596 |
| Collection Development and Processing | 1,297,080 | 1,297,080 | 902,909 | 394,171 |
| Supporting Services: | | | | |
| Facilities Operation and Maintenance | 806,945 | 806,945 | 684,675 | 122,270 |
| Information Services | 303,300 | 303,300 | 425,824 | (122,524) |
| Business Administration | 516,305 | 516,305 | 445,859 | 70,446 |
| Total Disbursements | <u>4,532,048</u> | <u>4,532,048</u> | <u>3,570,089</u> | <u>961,959</u> |
| Excess of Receipts Over(Under) Disbursements | (430,281) | (430,281) | 1,305,894 | 1,736,175 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfer In | - | - | - | - |
| (Transfer Out) | (250,000) | (250,000) | (250,000) | - |
| Total Other Financing Sources (Uses) | <u>(250,000)</u> | <u>(250,000)</u> | <u>(250,000)</u> | <u>-</u> |
| Net Change in Fund Balance | (680,281) | (680,281) | 1,055,894 | 1,736,175 |
| Fund Balance - Beginning of Year | 4,926,046 | 4,926,046 | 4,926,046 | - |
| Prior Year Encumbrances Appropriated | - | - | - | - |
| Fund Balance - End of Year | <u>\$ 4,245,765</u> | <u>\$ 4,245,765</u> | <u>\$ 5,981,940</u> | <u>\$ 1,736,175</u> |

See accompanying notes to the basic financial statements.

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LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

Note I - Description of the Library and Reporting Entity

The Lakewood Public Library was organized as a school district public library in 1916 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Lakewood 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 Fiscal Officer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

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 Lakewood City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax- exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the Lakewood Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. 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 Note 2.C, the financial statements of the Lakewood Public Library have been prepared 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.

The most significant of the Library's accounting policies are described below.

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

Note 2 - Summary of Significant Accounting Policies (Cont.)

A. 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 presents the cash balance 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 and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for 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.

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Library had the following significant capital project funds:

Capital Fund: Accounts for expenditures restricted for capital projects including the Madison Branch Renovation, which will be completed in 2022.

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

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

Note 2 - Summary of Significant Accounting Policies (Cont.)

C. 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 expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on expenditures 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 revenues to be received during the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated revenues may be revised during the year if projected increases or decreases in revenue are identified by the 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.

E. 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.

During 2021, the Library invested in nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, a money market mutual fund, and STAR Ohio. Investments are reported at cost, except for the money market mutual fund and STAR Ohio.

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

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

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.

For 2021, 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 \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 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 2021 was \$5,939.

E. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. The library had \$12,130 and \$12,130 restricted for Capital Projects and \$882,616 and \$900,101 restricted in Permanent Funds at December 31, 2021 and December 31, 2020 respectively.

G. 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.

H. 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.

I. 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.

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

Note 2 - Summary of Significant Accounting Policies (Continued)

J. 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 Note 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Position

Net Position are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

In 2021, the government-wide statement of net position reports \$7,752,945 of total net position.

L. 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. It also includes the long-term amount of interfund loans.

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.

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.

LAKEWOOD PUBLIC LIBRARY
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

Note 2 - Summary of Significant Accounting Policies (Continued)

The Library applies restricted resources first when expenditures are incurred for the 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 for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). In 2021, outstanding encumbrances at year-end equaled \$341,845 in the Capital Fund.

Note 4- Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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 may be deposited or invested in the following securities:

- a. 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;
- b. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided the market value of the securities

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

- d. Bonds and other obligations of the State of Ohio or Ohio local governments;
- e. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
- f. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- g. The State Treasurer's investment pool (STAR Ohio).

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

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

Cash on Hand

At each year end, the Library had \$320 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, Deposit and Investment Risk Disclosures.

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

Note 4 - Deposits and Investments (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$0 of the Library's bank balance of \$280,053 was exposed to custodial credit risk because those deposits were uninsured and collateralized.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2021, the Library had the following investments:

| <u>December 31, 2021</u> | <u>Carrying Value</u> | <u>Maturity</u> |
|--------------------------|-----------------------|-----------------------|
| STAR Ohio | \$5,274,704 | Less Than One Year |
| Commercial Paper | \$997,772 | Less Than One Year |

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

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

LAKWOOD PUBLIC LIBRARY
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

Note 4 - Deposits and Investments (Continued)

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 services.

The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M) (2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 5 - Property Taxes and Grants-In-Aid

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2021 for real and public utility property taxes represents collections of 2020 taxes.

2021 real property taxes are levied after October 1, 2021, on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

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. 2021 public utility property taxes which became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

Tangible Personal Property Taxes have been phased out and the last year for collection was 2008. The rate was reduced to zero in 2009.

The full tax rate for all Library operations for the year ended December 31, 2021, was \$3.50 (3.5 mils) per \$1,000 of assessed value. The assessed values of real property, public utility property, upon which 2020 property tax receipts were based are as follows:

| | <u>2021</u> |
|-------------------------|-----------------------|
| Real Property | \$890,556,610 |
| Other Real Estate | 179,692,840 |
| Public Utility Property | 21,443,650 |
| Total | <hr/> \$1,091,693,100 |

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

Note 5 - Property Taxes and Grants-In-Aid (Continued)

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 county's prior intangible tax of PLF revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

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 2021, the Lakewood Public Library obtained commercial insurance for the following risks:

- Commercial property;
- Vehicle;
- Inland marine;
- Commercial crime;
- Comprehensive and general liability;
- Errors and Omissions, and
- Surety bonds

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

The Library pays the State Workers' Compensation System a premium based on rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Library provided health insurance to full-time employees through a private carrier.

Note 7- Defined Benefit Pension Plan

Plan Description – Library employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Library employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension 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 were categorized into three groups with varying provisions of the law applicable to each group. The

**LAKEWOOD PUBLIC LIBRARY
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

Note 7- Defined Benefit Pension Plan (Continued)

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 ACFR 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 and Service Requirements: | Age and Service Requirements: |
| Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Traditional Plan Formula: | Traditional Plan Formula: | 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 | 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | 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: | Combined Plan Formula: | 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 | 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 |
| Public Safety | Public Safety | Public Safety |
| Age and Service Requirements: | Age and Service Requirements: | Age and Service Requirements: |
| Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age 52 with 25 years of service credit or Age 56 with 15 years of service credit |
| Law Enforcement | Law Enforcement | Law Enforcement |
| Age and Service Requirements: | Age and Service Requirements: | Age and Service Requirements: |
| Age 52 with 15 years of service credit | Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| Public Safety and Law Enforcement | Public Safety and Law Enforcement | Public Safety and Law Enforcement |
| Traditional Plan Formula: | Traditional Plan Formula: | Traditional Plan Formula: |
| 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

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 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. 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.

**LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

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

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

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

| | State and Local | Public Safety | Law Enforcement |
|---|--------------------|------------------|--------------------|
| 2020 Statutory Maximum Contribution Rates | | | |
| Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee *** | 10.0 % | * | ** |
| 2020 Actual Contribution Rates | | | |
| Employer: | | | |
| Pension | 14.0 % | 18.1 % | 18.1 % |
| Post-employment Health Care Benefits **** | 0.0 | 0.0 | 0.0 |
| Total Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee | 10.0 % | 12.0 % | 13.0 % |
| * 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 \$224,766 for the year 2021.

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

Note 8 - Postemployment Benefits

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

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' ACFR 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 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, 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 2021 was 4.0 percent.

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

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021 (unaudited)

Note 9 - Debt

The Lakewood City School District serves as the taxing authority in a ministerial function, and can issue tax related debt on behalf of the library. The determination to request approval of a tax levy, the rate and the purpose are discretionary decisions made solely by the Library Board of Trustees. In 2003, the Board of Library Trustees of the Lakewood Public Library submitted to the Lakewood City School District a bond issue to be used for the building and expansion of Main Library. The School District serves as the taxing authority and issues tax related debt on behalf of the Library, although their role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Library Trustees.

With approval of the bond issue in 2003, the School District issued bonds in the amount of \$12,500,000. Because the bonds are general obligations of the City School District, the long-term obligation is excluded from the general long-term obligations of the Lakewood Public Library.

Note 10 - Interfund Transfers

The General Fund transferred \$250,000 to the Capital Fund in 2021. Transfers were made to set aside funds for routine capital improvements as well as a planned renovation project to the Library.

Note 11 - Related Organization

The Library does not have any related organizations for which it is accountable. The Library has the following affiliated organization for which it is not accountable: Friends of Lakewood Library and the Lakewood Public Library Foundation.

Note 12 – 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.

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2020 (unaudited)

This discussion and analysis of the Lakewood Public Library's, Cuyahoga County, (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2020, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2020 are as follows:

Net position of total government activities increased from 2019 by \$666,663 or 8 percent. The fund most impacted by the increase in cash and cash equivalents was the Capital Fund which increased by \$374,109 due to a large transfer from the General Fund. This transfer is in anticipation of a Capital Spending Project to occur in 2021. The funds are not restricted and only committed to Capital Projects.

The Library's general receipts are primarily property taxes and Public Library Fund ("PLF"). These represent 97.4 percent of the total cash received for the General Fund during the year. PLF tax receipts for 2020 decreased slightly compared to 2019, with a decrease of \$3,848.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

Report Components

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

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

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

Basis of Accounting

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

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2020 (unaudited)

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

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2020, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

In the statement of net position and the statement of activities, the Library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by property taxed and PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds, not the Library as a whole. The Library establishes separate funds to better manage its many activities and to demonstrate that restricted money is being spent for the intended purpose. All of the Library's funds are accounted for as Governmental Funds.

Governmental Funds - The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant Governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) are combined and presented in total in a single column. In 2020, the Library's major governmental funds is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. This relationship is described in reconciliations presented with the governmental fund financial statements.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2020 (unaudited)

The Library as a Whole

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

Table 1 - Net Position

| | Governmental Activities | |
|--|------------------------------------|----------------------------|
| | 2020 | 2019 |
| ASSETS | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 8,557,345 | \$ 7,890,682 |
| NET POSITION | | |
| Restricted for: | | |
| Capital Projects | 12,130 | 12,130 |
| Permanent Fund | 900,101 | 893,746 |
| Unrestricted | <u>7,645,114</u> | <u>6,984,806</u> |
| Total Net Position | <u><u>\$ 8,557,345</u></u> | <u><u>\$ 7,890,682</u></u> |

Table 1 - Net Position

| | Governmental Activities | |
|--|------------------------------------|----------------------------|
| | 2020 | 2019 |
| ASSETS | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 8,557,345 | \$ 7,890,682 |
| NET POSITION | | |
| Restricted for: | | |
| Capital Projects | 12,130 | 12,130 |
| Permanent Fund | 900,101 | 893,746 |
| Unrestricted | <u>7,645,114</u> | <u>6,984,806</u> |
| Total Net Position | <u><u>\$ 8,557,345</u></u> | <u><u>\$ 7,890,682</u></u> |

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2020 (unaudited)

Table 2 reflects the changes in net position in 2020 and 2019.

Table 2 - Change in Net Position

| | Governmental Activities | |
|---------------------------------------|-------------------------|---------------------|
| | 2020 | 2019 |
| <u>Receipts</u> | | |
| <u>Program Receipts</u> | | |
| Charges for Services | \$ 88,818 | \$ 82,676 |
| Total Program Receipts | 88,818 | 82,676 |
| <u>General Receipts</u> | | |
| Property and Other Local Taxes | 2,011,474 | 2,022,822 |
| Intergovernmental | 2,294,360 | 2,299,465 |
| Gifts, Grants, and Contributions | 28,596 | 28,071 |
| Earnings on Investments | 53,671 | 187,050 |
| Total General Receipts | 4,388,101 | 4,537,408 |
| Total Receipts | 4,476,919 | 4,620,084 |
| <u>Disbursements</u> | | |
| Library Services: | | |
| Public Services and Programs | 1,094,981 | 1,340,794 |
| Collection Development and Processing | 981,619 | 1,215,110 |
| Supporting Services: | | |
| Facilities Operation and Maintenance | 749,630 | 797,666 |
| Information Services | 437,607 | 452,075 |
| Business Administration | 414,174 | 400,590 |
| Capital Outlay | 132,245 | 350,034 |
| Total Disbursements | 3,810,256 | 4,556,269 |
| Change in Net Position | 666,663 | 63,815 |
| Net Position at January 1 | 7,890,682 | 7,826,865 |
| Net Position at December 31 | \$ 8,557,345 | \$ 7,890,682 |

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
 Management's Discussion and Analysis
 For the Year Ended December 31, 2020 (unaudited)

For 2020, program receipts represent 1.98 percent of total receipts and are primarily comprised of patron fines and fees. General receipts represent 98.02 percent of the Library's total receipts, and of this amount, over 44.92 percent are local taxes. Grants and entitlements not restricted to specific programs make up another 51.24 percent of the Library general receipts.

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

Governmental Activities

Reviewing the Statement of Activities on page 41, the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration and Capital Outlay. The next column of the statement entitled Program Cash Receipts identifies the amounts paid by people who are directly charged for the service. The Net (Disbursements) Receipts and Changes in Net Position column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service which end up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3 - Comparison of Total Cost and Net Cost of Services

| | Total Cost of Services | | Net Cost of Services | |
|---------------------------------------|------------------------|---------------------|----------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Library Services: | | | | |
| Public Services and Programs | \$ 1,094,981 | \$ 1,340,794 | \$ 1,076,174 | \$ 1,273,289 |
| Collection Development and Processing | 981,619 | 1,215,110 | 981,589 | 1,214,785 |
| Supporting Services: | | | | |
| Facilities Operation and Maintenance | 749,630 | 797,666 | 699,496 | 797,656 |
| Information Services | 437,607 | 452,075 | 435,706 | 452,075 |
| Business Administration | 414,174 | 400,590 | 396,228 | 385,753 |
| Capital Outlay | 132,245 | 350,034 | 132,245 | 350,034 |
| Total Governmental Activities | <u>\$3,810,256</u> | <u>\$ 4,556,269</u> | <u>\$ 3,721,438</u> | <u>\$ 4,473,592</u> |

The dependence upon general receipts is apparent as over 98.02 of library services are supported through these receipts.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2020 (unaudited)

The Library's Funds

In 2020, total governmental funds had receipts of \$4,476,919 and disbursements of \$3,810,256. The greatest change within governmental funds occurred within the General Fund and Capital Fund which increased by \$292,554 and increased by \$374,109 respectively. This is primarily as a result of conservative management of revenue and disbursements as well as a large transfer from the General Fund to the Capital Fund.

General Fund Budgeting Highlights

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

During 2020, the Library submitted one General Fund budget. Disbursements were budgeted at \$4,532,048 (not including contingency of \$135,961). Actual disbursements were \$3,628,011 for 2020. Actual receipts were below budgeted receipts. The difference between actual receipts and budgeted receipts was \$67,433. Maintaining actual expenditures well below projected levels allowed the library to experience a net favorable fund balance variance to budget.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Library relies heavily on local taxes and has very little industry to support the tax basis.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to William R. Costello, Jr., CPA, Lakewood Public Library, 15425 Detroit Avenue, Lakewood, Ohio, 44107.

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Lakewood Public Library
Cuyahoga County
Statement of Net Position - Cash Basis
December 31, 2020

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Equity in Pooled Cash and Cash Equivalents | \$ 8,557,345 |
| Total Assets | <u>\$ 8,557,345</u> |
| | |
| NET POSITION | |
| Restricted for: | |
| Capital Projects | \$ 12,130 |
| Permanent Fund | 900,101 |
| Unrestricted | <u>7,645,114</u> |
| Total Net Position | <u>\$ 8,557,345</u> |

See accompanying notes to the basic financial statements.

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

| | <u>Cash</u> | <u>Program Cash Receipts</u> | <u>Net</u> |
|---------------------------------------|----------------------|------------------------------|------------------------|
| | <u>Disbursements</u> | <u>Charges for</u> | <u>(Disbursements)</u> |
| | | <u>Services</u> | <u>Receipts and</u> |
| | | | <u>Changes in Net</u> |
| | | | <u>Governmental</u> |
| | | | <u>Activities</u> |
| Primary Government: | | | |
| Governmental Activities | | | |
| Library Services: | | | |
| Public Services and Programs | \$ 1,094,981 | \$ 18,807 | \$ (1,076,174) |
| Collection Development and Processing | 981,619 | 30 | (981,589) |
| Supporting Services: | | | |
| Facilities Operations and Maintenance | 749,630 | 50,134 | (699,496) |
| Information Services | 437,607 | 1,901 | (435,706) |
| Business Administration | 414,174 | 17,946 | (396,228) |
| Capital Outlay | 132,245 | - | (132,245) |
| Total Governmental Activities | <u>\$ 3,810,256</u> | <u>\$ 88,818</u> | <u>\$ (3,721,438)</u> |

General Receipts

| | |
|---|---------------------|
| Property Taxes Levied for General Purposes | 2,011,474 |
| Unrestricted Gifts and Contributions | 28,596 |
| Grants & Entitlements not Restricted to Specific Programs | 2,294,360 |
| Earnings on Investments | 53,671 |
| Total General Receipts | <u>4,388,101</u> |
| Change in Net Position | 666,664 |
| | |
| Net Position - Beginning of Year | 7,890,682 |
| Net Position - End of Year | <u>\$ 8,557,346</u> |

See accompanying notes to the basic financial statements.

Lakewood Public Library
Cuyahoga County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2020

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|---|---|
| ASSETS | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 4,926,046 | \$ 3,631,299 | \$ 8,557,345 |
| Total Assets | \$ 4,926,046 | \$ 3,631,299 | \$ 8,557,345 |
| Fund Balances | | | |
| <i>Restricted for</i> | | | |
| Capital Projects | - | \$ 12,130 | \$ 12,130 |
| Endowment Specified Use | - | 900,100 | 900,100 |
| <i>Total Restricted</i> | | 912,230 | 912,230 |
| <i>Committed to</i> | | | |
| Capital Projects | - | 2,719,069 | 2,719,069 |
| <i>Total Committed</i> | | 2,719,069 | 2,719,069 |
| <i>Assigned to</i> | | | |
| Purchases on Order | - | - | - |
| Subsequent Year Appropriation | - | - | - |
| <i>Total Assigned</i> | - | - | - |
| <i>Unassigned</i> | 4,926,046 | 0 | 4,926,046 |
| Total Fund Balances | \$ 4,926,046 | \$ 3,631,299 | \$ 8,557,345 |

See accompanying notes to the basic financial statements.

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

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|---|---|
| <u>Receipts</u> | | | |
| Property & Other Local Taxes | \$ 2,011,474 | - | \$ 2,011,474 |
| Grants and Entitlements not Restricted to Specific Programs | 2,294,360 | 50,000 | 2,344,360 |
| Patron Fines and Fees | 13,121 | - | 13,121 |
| Unrestricted Gifts and Contributions | 28,596 | 0 | 28,596 |
| Earnings on Investments | 47,317 | 6,354 | 53,671 |
| Miscellaneous | 25,697 | - | 25,697 |
| Total Receipts | 4,420,565 | 56,354 | 4,476,919 |
| <u>Disbursements</u> | | | |
| Current: | | | |
| Library Services: | | | |
| Public Services and Programs | 1,094,981 | - | 1,094,981 |
| Collection Development and Processing | 981,619 | - | 981,619 |
| Supporting Services: | | | |
| Facilities Operation and Maintenance | 699,630 | 50,000 | 749,630 |
| Information Services | 437,607 | - | 437,607 |
| Business Administration | 414,174 | - | 414,174 |
| Capital Outlay | - | 132,245 | 132,245 |
| Total Disbursements | 3,628,011 | 182,245 | 3,810,256 |
| Excess of Receipts | | | |
| Over(Under) Disbursements | 792,554 | (125,891) | 666,663 |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfer In | - | 500,000 | 500,000 |
| (Transfer Out) | (500,000) | - | (500,000) |
| Total Other Financing Sources (Uses) | (500,000) | 500,000 | - |
| Net Change in Fund Balance | 292,554 | 374,109 | 666,663 |
| Beginning Fund Balance | 4,633,492 | 3,257,190 | 7,890,682 |
| Ending Fund Balance | \$ 4,926,046 | \$ 3,631,299 | \$ 8,557,345 |

See accompanying notes to the basic financial statements.

Lakewood Public Library
Cuyahoga County

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash
Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended
December 31, 2020*

| | |
|---|------------------|
| Net Changes in Fund Balances -Total Governmental Funds | <u>\$666,663</u> |
| <i>Change in Net Position of Governmental Activities</i> | <u>\$666,663</u> |

See accompanying notes to the basic financial statements

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

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with |
|--|-------------------------|---------------------|---------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| <u>Receipts</u> | | | | |
| Property & Other Local Taxes | \$ 1,963,698 | \$ 1,963,698 | \$ 2,011,474 | \$ 47,776 |
| PLF | 2,077,998 | 2,077,998 | 2,058,058 | (19,940) |
| Intergovernmental | 236,302 | 236,302 | 236,302 | - |
| Patron Fines and Fees | 65,000 | 65,000 | 13,121 | (51,879) |
| Unrestricted Gifts and Contributions | 10,000 | 10,000 | 28,596 | 18,596 |
| Earnings on Investments | 135,000 | 135,000 | 47,317 | (87,683) |
| Miscellaneous | - | - | 25,697 | 25,697 |
| Total Receipts | 4,487,998 | 4,487,998 | 4,420,565 | (67,433) |
| <u>Disbursements</u> | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 1,608,418 | 1,608,418 | 1,094,981 | 513,437 |
| Collection Development and Processing | 1,297,080 | 1,297,080 | 981,619 | 315,461 |
| Supporting Services: | | | | |
| Facilities Operation and Maintenance | 806,945 | 806,945 | 699,630 | 107,315 |
| Information Services | 303,300 | 303,300 | 437,607 | (134,307) |
| Business Administration | 516,305 | 516,305 | 414,174 | 102,131 |
| Total Disbursements | 4,532,048 | 4,532,048 | 3,628,011 | 904,037 |
| Excess of Receipts Over(Under) Disbursements | (44,050) | (44,050) | 792,554 | 836,604 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfer In | - | - | - | - |
| (Transfer Out) | (500,000) | (500,000) | (500,000) | - |
| Total Other Financing Sources (Uses) | (500,000) | (500,000) | (500,000) | - |
| Net Change in Fund Balance | (544,050) | (544,050) | 292,554 | 836,604 |
| Fund Balance - Beginning of Year | 4,633,492 | 4,633,492 | 4,633,492 | - |
| Prior Year Encumbrances Appropriated | - | - | - | - |
| Fund Balance - End of Year | \$ 4,089,442 | \$ 4,089,442 | \$ 4,926,046 | \$ 836,604 |

See accompanying notes to the basic financial statements.

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LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020 (unaudited)

Note 1 - Description of the Library and Reporting Entity

The Lakewood Public Library was organized as a school district public library in 1916 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Lakewood 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 Fiscal Officer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

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 Lakewood City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax- exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the Lakewood Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. 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 Note 2.C, the financial statements of the Lakewood Public Library have been prepared 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.

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020 (unaudited)

Note 2 - Summary of Significant Accounting Policies (Continued)

The most significant of the Library's accounting policies are described below.

A. 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 presents the cash balance 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 and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for 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.

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

C. 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.

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020 (unaudited)

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

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 expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on expenditures 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 revenues to be received during the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated revenues may be revised during the year if projected increases or decreases in revenue are identified by the 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.

E. Cash and Cash Equivalents

Library records identify the purchase of specific investments by specific funds. 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 are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2020 investments were limited to STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State of Ohio to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2020.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2020 amounted to \$47,317.

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020 (unaudited)

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. The library had \$12,130 and \$12,130 restricted for Capital Projects and \$900,101 and \$893,746 restricted in Permanent Funds at December 31, 2020 and December 31, 2019 respectively.

G. 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.

H. 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.

I. 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.

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020 (unaudited)

Note 2 - Summary of Significant Accounting Policies (Continued)

J. 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 Note 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Position

Net Position are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

In 2020, the government-wide statement of net position reports \$8,557,345 of total net position.

L. 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. It also includes the long-term amount of interfund loans.

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.

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.

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020 (unaudited)

Note 2 - Summary of Significant Accounting Policies (Continued)

The Library applies restricted resources first when expenditures are incurred for the 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 for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). In 2020, there were no outstanding encumbrances at year-end.

Note 4- Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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 may be deposited or invested in the following securities:

LAKEWOOD PUBLIC LIBRARY
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2020 (unaudited)

Note 4- Deposits and Investments (Continued)

- a. 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;
- b. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio or Ohio local governments;
- e. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
- f. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- g. The State Treasurer's investment pool (STAR Ohio).

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, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

Cash on Hand

At each year end, the Library had \$320 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, Deposit and Investment Risk Disclosures.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020 (unaudited)

Note 4 - Deposits and Investments (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$0 of the Library's bank balance of \$117,563 was exposed to custodial credit risk because those deposits were uninsured and collateralized.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

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

| <u>December 31, 2020</u> | <u>Carrying Value</u> | <u>Maturity</u> |
|--------------------------|-----------------------|-----------------------|
| STAR Ohio | \$5,274,704 | Less Than One Year |

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

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

LAKWOOD PUBLIC LIBRARY
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Notes to the Basic Financial Statements
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Note 4 - Deposits and Investments (Continued)

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 services.

The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M) (2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 5 - Property Taxes and Grants-In-Aid

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 2020 with real property taxes.

Tangible Personal Property Taxes have been phased out and the last year for collection was 2008. The rate was reduced to zero in 2009.

The full tax rate for all Library operations for the year ended December 31, 2020 was \$3.50 (3.5 mils) per \$1,000 of assessed value. The assessed values of real property, public utility property, upon which 2019 property tax receipts were based are as follows:

| | <u>2020</u> |
|-------------------------|------------------------|
| Real Property | \$887,512,080 |
| Other Real Estate | 179,769,630 |
| Public Utility Property | <u>20,157,000</u> |
| Total | <u>\$1,087,438,710</u> |

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020 (unaudited)

Note 5 - Property Taxes and Grants-In-Aid (Continued)

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 county's prior intangible tax of PLF revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

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 Lakewood Public Library obtained commercial insurance for the following risks:

- Commercial property;
- Vehicle;
- Inland marine;
- Commercial crime;
- Comprehensive and general liability;
- Errors and Omissions, and
- Surety bonds

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

The Library pays the State Workers' Compensation System a premium based on rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Library provided health insurance to full-time employees through a private carrier.

Note 7- Defined Benefit Pension Plan

Plan Description – Library employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Library employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension 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 were categorized into three groups with varying provisions of the law applicable to each group. The

LAKWOOD PUBLIC LIBRARY
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Note 7- Defined Benefit Pension Plan (Continued)

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 ACFR 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 and Service Requirements: | Age and Service Requirements: |
| Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Traditional Plan Formula: | Traditional Plan Formula: | 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 | 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | 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: | Combined Plan Formula: | 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 | 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 |
| Public Safety | Public Safety | Public Safety |
| Age and Service Requirements: | Age and Service Requirements: | Age and Service Requirements: |
| Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age 52 with 25 years of service credit or Age 56 with 15 years of service credit |
| Law Enforcement | Law Enforcement | Law Enforcement |
| Age and Service Requirements: | Age and Service Requirements: | Age and Service Requirements: |
| Age 52 with 15 years of service credit | Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| Public Safety and Law Enforcement | Public Safety and Law Enforcement | Public Safety and Law Enforcement |
| Traditional Plan Formula: | Traditional Plan Formula: | Traditional Plan Formula: |
| 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

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 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. 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.

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

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

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

| | State and Local | Public Safety | Law Enforcement |
|---|--------------------|------------------|--------------------|
| 2020 Statutory Maximum Contribution Rates | | | |
| Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee *** | 10.0 % | * | ** |
| 2020 Actual Contribution Rates | | | |
| Employer: | | | |
| Pension | 14.0 % | 18.1 % | 18.1 % |
| Post-employment Health Care Benefits **** | 0.0 | 0.0 | 0.0 |
| Total Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee | 10.0 % | 12.0 % | 13.0 % |
| * 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 \$234,216 for the year 2020.

LAKEWOOD PUBLIC LIBRARY
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Notes to the Basic Financial Statements
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Note 8 - Postemployment Benefits

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

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' ACFR 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 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020 (unaudited)

Note 9 - Debt

The Lakewood City School District serves as the taxing authority in a ministerial function, and can issue tax related debt on behalf of the library. The determination to request approval of a tax levy, the rate and the purpose are discretionary decisions made solely by the Library Board of Trustees. In 2003, the Board of Library Trustees of the Lakewood Public Library submitted to the Lakewood City School District a bond issue to be used for the building and expansion of Main Library. The School District serves as the taxing authority and issues tax related debt on behalf of the Library, although their role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Library Trustees.

With approval of the bond issue in 2003, the School District issued bonds in the amount of \$12,500,000. Because the bonds are general obligations of the City School District, the long-term obligation is excluded from the general long-term obligations of the Lakewood Public Library.

Note 10 - Interfund Transfers

The General Fund transferred \$500,000 to the Capital Fund in 2020. Transfers were made to set aside funds for routine capital improvements as well as a planned renovation project to the Library.

Note 11 - Related Organization

The Library does not have any related organizations for which it is accountable. The Library has the following affiliated organization for which it is not accountable: Friends of Lakewood Library and the Lakewood Public Library Foundation.

Note 12 – COVID-19

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

During 2020, the Library received \$50,000 as an on-behalf of grant from another government. These amounts are recorded in the Coronavirus Relief Special Revenue Fund.

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

Lakewood Public Library
Cuyahoga County
15425 Detroit Avenue
Lakewood, Ohio 44107

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakewood Public Library, Cuyahoga County, (the Library) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated February 22, 2023, 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *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

February 22, 2023

OHIO AUDITOR OF STATE KEITH FABER



LAKEWOOD PUBLIC LIBRARY

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/14/2023

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