



OHIO AUDITOR OF STATE  
**KEITH FABER**





**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the financial statements of the Reuben McMillan Free Library Association, Mahoning County, Ohio (the Library), (a not-for-profit corporation), which comprise the statements of assets, liabilities and net assets as of and for the years ended December 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net assets and statement of functional expenses for the years ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash financial position of the Library, as of December 31, 2021 and 2020, and the respective changes in modified cash financial position for the year then ended in accordance with the accounting basis described in Note B.

#### ***Basis for Opinion***

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 opinion.

#### ***Emphasis of Matters***

We draw attention to Note B of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles and to Note K of the financial statements, which indicates the financial impact of Covid-19 and the ensuing emergency measures may impact subsequent periods of the Library. Our opinion is not modified with respect to these matters.

***Responsibilities of Management for the Financial Statements***

Management is responsible for preparation and fair presentation of the financial statements in accordance with the modified cash accounting basis described in Note B and for determining that the modified 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 one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

***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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 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

March 13, 2023

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

See Accompanying Notes and Accountants' Compilation Report

<b>ASSETS</b>	<b>December 31,</b>
	<b>2021</b>
<b>CASH AND INVESTMENTS</b>	
Cash and cash equivalents	\$ 22,209,043
Cash and cash equivalents -- with donor restriction	986,279
Investments	23,833,253
<b>TOTAL CASH AND INVESTMENTS</b>	<b>47,028,575</b>
<b>PROPERTY AND EQUIPMENT</b>	
Land	952,741
Buildings and improvements	38,657,279
Furniture and equipment	5,173,028
Transportation equipment	500,685
Total property and equipment	45,283,733
Less accumulated depreciation	21,231,396
Construction in process	18,106,126
<b>NET PROPERTY AND EQUIPMENT</b>	<b>42,158,463</b>
<b>OTHER ASSETS</b>	
Prepaid rent	511,000
<b>TOTAL ASSETS</b>	<b>\$ 89,698,038</b>
<b>NET ASSETS</b>	
Without donor restrictions	\$ 84,321,269
With donor restrictions	5,376,769
<b>TOTAL NET ASSETS</b>	<b>\$ 89,698,038</b>

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

See Accompanying Notes and Accountants' Compilation Report

	Years ended December 31,		
	2021		
	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Operating support and contributions			
Property and other local taxes	\$ 10,018,335	\$ -	\$ 10,018,335
Federal and state grants	9,968,033	-	9,968,033
Contributions	227,805	130,440	358,245
Program service fees			
Patron fines and fees	85,546	-	85,546
Investment income, net	294,665	94,549	389,214
Net realized/unrealized gain on investments	2,235	428,619	430,854
Other income			
Refunds and reimbursements	72,275	-	72,275
Rental income	940	-	940
Miscellaneous	16,772	-	16,772
Net assets released from restrictions	45,524	(45,524)	-
<b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>	<b>20,732,130</b>	<b>608,084</b>	<b>21,340,214</b>
<b>EXPENSES</b>			
Program services	14,552,687	-	14,552,687
Supporting services			
Management and general	1,502,465	-	1,502,465
Fundraising	27,082	-	27,082
<b>TOTAL EXPENSES</b>	<b>16,082,234</b>	<b>-</b>	<b>16,082,234</b>
<b>CHANGE IN NET ASSETS</b>	<b>4,649,896</b>	<b>608,084</b>	<b>5,257,980</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>79,671,373</b>	<b>4,768,685</b>	<b>84,440,058</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 84,321,269</b>	<b>\$ 5,376,769</b>	<b>\$ 89,698,038</b>

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

See Accompanying Notes and Accountants' Compilation Report

	Year ended December 31, 2021				
	Program Services	Supporting Services Management and General		Fundraising	Total
<b>COMPENSATION AND RELATED EXPENSES</b>					
Salaries and wages	\$ 5,983,287	\$ 945,044	\$ 19,847	\$ 6,948,178	
Payroll taxes	57,317	14,977	288	72,582	
Employee benefits:					
Pension	842,110	99,847	2,778	944,735	
Other	1,579,889	222,422	4,169	1,806,480	
<b>TOTAL COMPENSATION AND RELATED EXPENSES</b>	<b>8,462,603</b>	<b>1,282,290</b>	<b>27,082</b>	<b>9,771,975</b>	
Accounting	-	9,992	-	9,992	
Advertising	120,539	-	-	120,539	
Conferences and conventions	29,898	-	-	29,898	
Depreciation	1,284,133	-	-	1,284,133	
Information technology	254,981	-	-	254,981	
Insurance	85,069	-	-	85,069	
Legal fees	-	41,604	-	41,604	
Library materials	1,546,330	-	-	1,546,330	
Occupancy	1,420,380	-	-	1,420,380	
Office expense	1,132,928	3,655	-	1,136,583	
Organizational memberships	27,745	-	-	27,745	
Professional fees	174,159	164,924	-	339,083	
Refunds	5,058	-	-	5,058	
Travel	8,864	-	-	8,864	
<b>TOTAL EXPENSES</b>	<b>\$ 14,552,687</b>	<b>\$ 1,502,465</b>	<b>\$ 27,082</b>	<b>\$ 16,082,234</b>	

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**Reuben McMillan Free Library Association**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

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**NOTE A – NATURE OF OPERATIONS**

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

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

**Program Services**

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Property and Equipment**

The Library capitalizes property and equipment over \$3,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Library reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Library reclassifies net assets with donor restrictions to net asset without donor restrictions at that time. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

Reuben McMillan Free Library Association  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Classification of Net Assets**

The net assets of the Library are reported as follows:

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

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

**Income Taxes**

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

**Functional Allocation of Expenses**

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

**Use of Estimates**

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

**NOTE C – AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Library's financial assets as of December 31, 2021, reduced by amounts not available for general use because of donor-imposed restrictions and inactive deposits that the Library has identified as not required for use in meeting general expenses within one year, or more.

Financial Assets	
Cash and cash equivalents	\$ 23,195,322
Investments	23,833,253
Less those unavailable for general expenses within one year, due to:	
Donor-imposed purpose restrictions	(5,376,769)
Board designation:	
Quasi-endowment fund, primarily for long-term investing	(1,736,263)
Inactive deposits not required for immediate need	(17,706,499)
Financial assets available to meet cash	
needs for general expenses within one year	<u>\$ 22,209,044</u>

Reuben McMillan Free Library Association  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

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**NOTE C – AVAILABILITY OF FINANCIAL ASSETS (continued)**

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

**NOTE D – NET ASSETS WITH DONOR RESTRICTIONS**

**Endowment Funds**

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

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

Endowment Net Asset Composition by Type of Fund as of December 31, 2021:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Donor-restricted endowment funds</b>	\$ -	\$ 4,390,490	\$ 4,390,490
<b>Board designated endowment funds</b>	1,736,263	-	1,736,263
<b>TOTAL FUNDS</b>	\$ 1,736,263	\$ 4,390,490	\$ 6,126,753

Reuben McMillan Free Library Association  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE D – NET ASSETS WITH DONOR RESTRICTIONS (continued)**

Changes in Endowment Net Assets for the Year Ended December 31, 2021:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets – January 1, 2021	\$ 1,630,108	\$ 3,970,923	\$ 5,601,031
Investment return, net	47,111	9,549	141,660
Net gain on endowments	109,127	428,619	537,746
Appropriation of endowment assets for expense	(50,083)	(113,601)	(163,684)
Transfer	-	10,000	10,000
<b>Endowment net assets – December 31, 2021</b>	<b>\$ 1,736,263</b>	<b>\$ 4,390,490</b>	<b>\$ 6,126,753</b>

Net assets with donor restrictions were available for the following purposes as of December 31, 2021:

	Amount
	2021
Purchase of books	\$ 2,965,246
Maintain and conduct branch operations	1,192,519
Maintain special delivery services	527,215
Youth program services	347,654
Author events	235,410
Other various restrictions	108,725
<b>TOTAL</b>	<b>\$ 5,376,769</b>

**NOTE E – INVESTMENTS**

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

	December 31, 2021	
	Cost	Fair Value
Investments:		
Money markets	\$ 9,378,646	\$ 9,378,646
Certificates of deposit	6,284,152	6,284,152
Common stock	1,300,311	2,230,230
Mutual funds	1,985,736	2,182,744
Corporate bonds	1,161,082	1,185,860
U.S. Government obligations	2,560,783	2,571,621
<b>TOTAL</b>	<b>\$ 22,670,710</b>	<b>\$ 23,833,253</b>



Reuben McMillan Free Library Association  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

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**NOTE F – NET ASSETS WITHOUT DONOR RESTRICTIONS**

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

	<u>December 31,</u> <u>2021</u>
<b>Designated by the governing board</b>	
<b>Purposes of long-term investing</b>	<b>\$ 19,442,762</b>
<b>Undesignated – available for general activities</b>	<b>64,878,507</b>
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>\$ 84,321,269</b>

**NOTE G – FAIR VALUE MEASUREMENTS**

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

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

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

Reuben McMillan Free Library Association  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE G – FAIR VALUE MEASUREMENTS (continued)**

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

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

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Library's assets at fair value as of December 31, 2021:

	<b>Assets Measured at Fair Value at December 31, 2021 on a Recurring Basis</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Certificates of deposit</b>	\$ -	\$ 6,284,152	\$ -	\$ 6,284,152
<b>Common stock:</b>				
<b>Industrials</b>	210,137	-	-	210,137
<b>Consumer</b>	266,182	-	-	266,182
<b>Materials</b>	86,309	-	-	86,309
<b>Health care</b>	291,145	-	-	291,145
<b>Information technology</b>	569,769	-	-	569,769
<b>Energy</b>	95,777	-	-	95,777
<b>Utilities</b>	85,722	-	-	85,722
<b>Financial</b>	268,431	-	-	268,431
<b>Communication services</b>	260,348	-	-	260,348
<b>Real estate</b>	96,410	-	-	96,410
<b>Mutual funds:</b>				
<b>Bond funds</b>	841,998	-	-	841,998
<b>Equity funds</b>	1,340,746	-	-	1,340,746
<b>Corporate bonds</b>	-	1,185,860	-	1,185,860
<b>U.S. Government obligations</b>	-	2,571,621	-	2,571,621
<b>Subtotal investments at fair value</b>	<b>\$ 4,412,974</b>	<b>\$ 10,041,633</b>	<b>\$ -</b>	<b>\$ 14,454,607</b>
<b>Investments at net asset value:</b>				
<b>Money markets</b>				<b>9,378,646</b>
<b>TOTAL</b>				<b>\$ 23,833,253</b>

**Reuben McMillan Free Library Association**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

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**NOTE H – LEASE**

**Operating Lease**

The Library entered into a 50-year operating lease in 2018 for space to house its Campbell branch operations. As required by the terms of the lease, the Library has made a one-time payment of \$525,000, which has resulted in prepaid rent. The Library will reflect rent expense amounting to \$10,500 annually throughout the term of the lease. This lease is due to mature in August 2070. The Library has reflected \$511,000 as of December 31, 2021 of prepaid rent in its statements of assets, liabilities and net assets – modified cash basis.

**NOTE I – PENSION AND POSTRETIREMENT PLANS**

**Ohio Public Employees Retirement System—Pension Plans**

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

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

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

Reuben McMillan Free Library Association  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE I – PENSION AND POSTRETIREMENT PLANS (continued)**

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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b>	<b>Age and Service Requirements:</b>	<b>Age and Service Requirements:</b>
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
<b>Traditional Plan Formula:</b>	<b>Traditional Plan Formula:</b>	<b>Traditional Plan Formula:</b>
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	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
<b>Combined Plan Formula:</b>	<b>Combined Plan Formula:</b>	<b>Combined Plan Formula:</b>
1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	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
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b>	<b>Age and Service Requirements:</b>	<b>Age and Service Requirements:</b>
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
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b>	<b>Age and Service Requirements:</b>	<b>Age and Service Requirements:</b>
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
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Traditional Plan Formula:</b>	<b>Traditional Plan Formula:</b>	<b>Traditional Plan Formula:</b>
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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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

**Reuben McMillan Free Library Association**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

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**NOTE I – PENSION AND POSTRETIREMENT PLANS (continued)**

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. 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. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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:

Reuben McMillan Free Library Association  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE I – PENSION AND POSTRETIREMENT PLANS (continued)**

	<u>State and Local</u>
<b>2021 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
<b>2021 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

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

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

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

The Library's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$944,735 for the year ended December 31, 2021.

**Ohio Public Employees Retirement System—Postretirement Plan**

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.

**Reuben McMillan Free Library Association**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

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**NOTE I – PENSION AND POSTRETIREMENT PLANS (continued)**

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

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

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

Reuben McMillan Free Library Association  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

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**NOTE I – PENSION AND POSTRETIREMENT PLANS (continued)**

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

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

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. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

**NOTE J – CONCENTRATION OF RISK**

The Library maintains its cash in various financial institutions which, at times, may exceed federally insured limits, of \$250,000. The amounts that exceeded federally insured limits were \$21,958,306 at December 31, 2021. The Library has not experienced any losses from such accounts, and management believes the Library is not exposed to significant credit risk related to bank deposit accounts.

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

**Collective Bargaining Arrangements**

Approximately 80% of the Library’s labor force was subject to collective bargaining agreements as of December 31, 2021. The Library has two collective bargaining agreements, the Public Librarians Association of Youngstown (PLAY) and Clerical/Maintenance/Technical (CMT), these agreements expire March 31, 2025 and April 30, 2025, respectively.



**Reuben McMillan Free Library Association**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

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**NOTE K – COVID-19 PANDEMIC**

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. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Library. The impact on the Library's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. In 2020, the Library received CARES Act funding of \$375,000 passed through the State of Ohio Office of Budget and Management. This amount is reflected under federal and state grants on the accompanying financial statements.

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.

**NOTE L – SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 13, 2023, which is the date the financial statements were available to be issued.

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

See Accompanying Notes to the Financial Statements

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

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

See Accompanying Notes to the Financial Statements

	Years ended December 31,		
	2020		
	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Operating support and contributions			
Property and other local taxes	\$ 10,026,843	\$ -	\$ 10,026,843
Federal and state grants	9,198,271	-	9,198,271
Contributions	47,847	56,282	104,129
Program service fees			
Patron fines and fees	56,798	-	56,798
Investment income, net	597,237	58,213	655,450
Net realized/unrealized gain on investments	171,152	255,628	426,780
Other income			
Refunds and reimbursements	196,771	-	196,771
Rental income	7,390	-	7,390
Miscellaneous	12,086	-	12,086
Net assets released from restrictions	10,689	(10,689)	-
<b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>	<b>20,325,084</b>	<b>359,434</b>	<b>20,684,518</b>
<b>EXPENSES</b>			
Program services	13,933,123	-	13,933,123
Supporting services			
Management and general	1,635,278	-	1,635,278
Fundraising	26,933	-	26,933
<b>TOTAL EXPENSES</b>	<b>15,595,334</b>	<b>-</b>	<b>15,595,334</b>
<b>CHANGE IN NET ASSETS</b>	<b>4,729,750</b>	<b>359,434</b>	<b>5,089,184</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>74,941,623</b>	<b>4,409,251</b>	<b>79,350,874</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 79,671,373</b>	<b>\$ 4,768,685</b>	<b>\$ 84,440,058</b>

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

See Accompanying Notes to the Financial Statements

	Year ended December 31, 2020				
	Program Services	Supporting Services Management and General		Fundraising	Total
<b>COMPENSATION AND RELATED EXPENSES</b>					
Salaries and wages	\$ 6,106,733	\$ 931,884	\$ 19,739	\$ 7,058,356	
Payroll taxes	108,674	15,117	286	124,077	
Employee benefits:					
Pension	815,823	100,779	2,764	919,366	
Other	1,511,473	219,883	4,144	1,735,500	
<b>TOTAL COMPENSATION AND RELATED EXPENSES</b>	<b>8,542,703</b>	<b>1,267,663</b>	<b>26,933</b>	<b>9,837,299</b>	
Accounting	-	20,581	-	20,581	
Advertising	103,016	-	-	103,016	
Conferences and conventions	27,109	-	-	27,109	
Depreciation	1,308,909	-	-	1,308,909	
Information technology	258,172	-	-	258,172	
Insurance	117,445	-	-	117,445	
Legal fees	-	68,961	-	68,961	
Library materials	1,461,772	-	-	1,461,772	
Occupancy	719,284	-	-	719,284	
Office expense	1,176,242	4,609	-	1,180,851	
Organizational memberships	38,092	-	-	38,092	
Professional fees	163,374	273,464	-	436,838	
Refunds	5,729	-	-	5,729	
Travel	11,276	-	-	11,276	
<b>TOTAL EXPENSES</b>	<b>\$ 13,933,123</b>	<b>\$ 1,635,278</b>	<b>\$ 26,933</b>	<b>\$ 15,595,334</b>	

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**Reuben McMillan Free Library Association**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

**NOTE A – NATURE OF OPERATIONS**

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

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

**Program Services**

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Property and Equipment**

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

Reuben McMillan Free Library Association  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Classification of Net Assets**

The net assets of the Library are reported as follows:

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

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

**Income Taxes**

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

**Functional Allocation of Expenses**

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

**Use of Estimates**

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

**NOTE C – AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Library's financial assets as of December 31, 2020, reduced by amounts not available for general use because of donor-imposed restrictions and inactive deposits that the Library has identified as not required for use in meeting general expenses within one year, or more.

Financial Assets	
Cash and cash equivalents	\$ 24,628,563
Investments	31,205,652
Less those unavailable for general expenses within one year, due to:	
Donor-imposed purpose restrictions	(4,768,685)
Board designation:	
Quasi-endowment fund, primarily for long-term investing	(1,630,108)
Inactive deposits not required for immediate need	(25,604,621)
Financial assets available to meet cash	
needs for general expenses within one year	<u>\$ 23,830,801</u>



**Reuben McMillan Free Library Association**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

**NOTE C – AVAILABILITY OF FINANCIAL ASSETS (continued)**

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

**NOTE D – NET ASSETS WITH DONOR RESTRICTIONS**

**Endowment Funds**

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

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

Endowment Net Asset Composition by Type of Fund as of December 31, 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Donor-restricted endowment funds</b>	\$ -	\$ 3,970,923	\$ 3,970,923
<b>Board designated endowment funds</b>	1,630,108	-	1,630,108
<b>TOTAL FUNDS</b>	<b>\$ 1,630,108</b>	<b>\$ 3,970,923</b>	<b>\$ 5,601,031</b>

Reuben McMillan Free Library Association  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

**NOTE D – NET ASSETS WITH DONOR RESTRICTIONS (continued)**

Changes in Endowment Net Assets for the Year Ended December 31, 2020:

	Without Donor Restriction	With Donor Restriction	Total
	\$		
Endowment net assets – January 1, 2020	1,535,951	\$ 3,712,636	\$ 5,248,587
Investment return, net	25,495	58,213	83,708
Net gain on endowments	97,486	255,628	353,114
Appropriation of endowment assets for expense	(28,824)	(65,944)	(94,768)
Transfers	-	10,390	10,390
	\$		
<b>Endowment net assets – December 31, 2020</b>	<b>1,630,108</b>	<b>\$ 3,970,923</b>	<b>\$ 5,601,031</b>

Net assets with donor restrictions were available for the following purposes as of December 31, 2020:

Purchase of books	\$ 2,613,721
Maintain and conduct branch operations	1,059,136
Maintain special delivery services	494,149
Youth program services	301,601
Author events	200,269
Other various restrictions	99,809
<b>TOTAL</b>	<b>\$ 4,768,685</b>

**NOTE E – INVESTMENTS**

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

	December 31, 2020	
	Cost	Fair Value
Investments:		
Money markets	\$ 11,254,391	\$ 11,254,392
Certificates of deposit	6,199,377	6,199,377
Common stock	1,437,572	1,697,484
Mutual funds	1,646,853	2,072,166
Corporate bonds	937,670	997,129
U.S. Government obligations	8,851,927	8,985,104
<b>TOTAL</b>	<b>\$ 30,327,790</b>	<b>\$ 31,205,652</b>

Reuben McMillan Free Library Association  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

**NOTE F – NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Library’s governing board has designated, from net assets without donor restrictions, net assets for the following purposes as of December 31, 2020:

Designated by the governing board	
Purposes of long-term investing	\$ 27,234,729
Undesignated – available for general activities	52,436,644
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>\$ 79,671,373</b>

**NOTE G – FAIR VALUE MEASUREMENTS**

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

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

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

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

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

Reuben McMillan Free Library Association  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

**NOTE G – FAIR VALUE MEASUREMENTS (continued)**

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Library’s assets at fair value as of December 31, 2020:

	Assets at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 6,199,377	\$ -	\$ 6,199,377
Common stock:				
Industrials	161,046	-	-	161,046
Consumer	252,284	-	-	252,284
Materials	80,073	-	-	80,073
Health care	234,459	-	-	234,459
Information technology	432,196	-	-	432,196
Energy	78,264	-	-	78,264
Utilities	89,487	-	-	89,487
Financial	205,254	-	-	205,254
Communication services	228,072	-	-	228,072
Real estate	65,332	-	-	65,332
Mutual funds:				
Bond funds	753,095	-	-	753,095
Equity funds	1,190,088	-	-	1,190,088
Corporate bonds	-	997,130	-	977,130
U.S. Government obligations	-	8,985,104	-	8,985,104
Subtotal investments at fair value	\$ 3,769,650	\$ 16,181,611	\$ -	19,951,261
Investments at net asset value:				
Money markets				11,254,391
<b>TOTAL</b>				<b>\$ 31,205,652</b>

**Reuben McMillan Free Library Association**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

**NOTE H – LEASE**

**Operating Lease**

The Library entered into a 50-year operating lease in 2018 for space to house its Campbell branch operations. As required by the terms of the lease, the Library has made a one-time payment of \$525,000, which has resulted in prepaid rent. The Library will reflect rent expense amounting to \$10,500 annually throughout the term of the lease. This lease is due to mature in August 2070. As of December 31, 2020, the Library has reflected \$521,500 of prepaid rent in its statements of assets, liabilities and net assets – modified cash basis.

**NOTE I – PENSION AND POSTRETIREMENT PLANS**

**Ohio Public Employees Retirement System—Pension Plans**

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

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

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

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

**Reuben McMillan Free Library Association**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

**NOTE I – PENSION AND POSTRETIREMENT PLANS (continued)**

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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

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

**Reuben McMillan Free Library Association**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

**NOTE I – PENSION AND POSTRETIREMENT PLANS (continued)**

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

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

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

The Library’s contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$919,366 for 2020.

**Ohio Public Employees Retirement System—Postretirement Plan**

**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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB). 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.

**Reuben McMillan Free Library Association**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

**NOTE I – PENSION AND POSTRETIREMENT PLANS (continued)**

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

The employer contribution rate is 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. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

**NOTE J – CONCENTRATION OF RISK**

The Library maintains its cash in various financial institutions which, at times, may exceed federally insured limits, of \$250,000. The amounts that exceeded federally insured limits were \$24,009,678 at December 31, 2020. The Library has not experienced any losses from such accounts, and management believes the Library is not exposed to significant credit risk related to bank deposit accounts.

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

**Collective Bargaining Arrangements**

Approximately 83% of the Library’s labor force was subject to collective bargaining agreements as of December 31, 2020. The Library has two collective bargaining agreements, the Public Librarians Association of Youngstown (PLAY) and Clerical/Maintenance/Technical (CMT), these agreements expire March 31, 2025 and April 30, 2025, respectively.



**Reuben McMillan Free Library Association**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

**NOTE K – COVID-19 PANDEMIC**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Library. The Library's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Library's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. During 2020, the Library received CARES Act funding of \$375,000 passed through the State of Ohio Office of Budget and Management. This amount is reflected under federal and state grants on the accompanying financial statements.

**NOTE L – SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 13, 2023, which is the date the financial statements were available to be issued.

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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**

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the modified cash-basis financial statements of Reuben McMillan Free Library Association, Mahoning County, (the Library), which comprise the statements of assets, liabilities and net assets as of and for the years ended December 31, 2021 and 2020, and the related statements of revenue, expenses and changes in net assets and functional expenses for the years then ended, and the related notes to the financial statements and have issued our report thereon dated March 13, 2023, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles and we noted the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Library.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Government's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 13, 2023

# OHIO AUDITOR OF STATE KEITH FABER



**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION**

**MAHONING COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/28/2023**

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](http://www.ohioauditor.gov)