

LIBRARY ASSOCIATION OF SANDUSKY

ERIE COUNTY, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2023 and 2022





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Columbus, Ohio 43215
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Board of Trustees
Library Association of Sandusky
114 West Adams Street
Sandusky, Ohio 44870

We have reviewed the *Independent Auditor's Report* of the Library Association of Sandusky, Erie County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2022 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

June 24, 2024

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LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY, OHIO
Regular Audit
For the Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Library Association of Sandusky, Erie County, Ohio (the Library), (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2022 and 2023, and the related statements of activities and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Library, as of December 31, 2022 and 2023, and the respective changes in cash financial position, thereof for the years then ended in accordance with the accounting basis described in Note 2.

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 Matter - Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for preparation and fair presentation of the financial statements in accordance with the cash accounting basis 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 one year after the date that the financial statements are issued.

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 opinion. 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 May 14, 2024, 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



Charles E. Harris & Associates, Inc.
May 14, 2024

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

***Statement of Financial Position - Cash Basis
As of December 31, 2023***

Current Assets	
Cash and Cash Equivalents	<u><u>\$8,171,025</u></u>
Net Assets	
Without Donor Restrictions	6,175,745
With Donor Restrictions	<u>1,995,280</u>
<i>Total Net Assets</i>	<u><u>\$8,171,025</u></u>

See accompanying notes to the financial statements.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

***Statement of Activities - Cash Basis
For the Year Ended December 31, 2023***

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
Support and Revenues:			
Property and Other Local Taxes	\$1,473,117	\$0	\$1,473,117
Library and Local Government Support	2,044,125	0	2,044,125
Intergovernmental	70,555	0	70,555
Patron Fines and Fees	17,682	0	17,682
Contributions, Gifts and Donations	58,326	432,565	490,891
Earnings on Investments	226,022	242,257	468,279
Miscellaneous	14,702	0	14,702
Satisfaction of Program Restrictions	623,618	(623,618)	0
<i>Total Support and Revenues</i>	<u>4,528,147</u>	<u>51,204</u>	<u>4,579,351</u>
Expenses:			
Program Services	3,865,938	0	3,865,938
Management and General	447,133	0	447,133
Capital Outlay	80,195	0	80,195
<i>Total Expenses</i>	<u>4,393,266</u>	<u>0</u>	<u>4,393,266</u>
Change in Net Assets	134,881	51,204	186,085
Net Assets, January 1	6,040,864	1,944,076	7,984,940
Net Assets, December 31	<u><u>\$6,175,745</u></u>	<u><u>\$1,995,280</u></u>	<u><u>\$8,171,025</u></u>

See accompanying notes to the financial statements.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

***Statement of Functional Expenses - Cash Basis
For the Year Ended December 31, 2023***

Expenses	Program Services	Management and General	Capital Outlay	Total Expenses
Salaries	\$938,891	\$307,370	\$0	\$1,246,261
Employee Fringe Benefits	345,875	99,150	0	445,025
Purchased and Contracted Services	2,193,371	38,851	0	2,232,222
Library Materials and Information	326,215	0	0	326,215
Supplies	49,221	0	0	49,221
Other	12,365	1,762	0	14,127
Capital Outlay	0	0	80,195	80,195
Total Expenses	<u>\$3,865,938</u>	<u>\$447,133</u>	<u>\$80,195</u>	<u>\$4,393,266</u>

See accompanying notes to the financial statements.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 1 – Reporting Entity

The Library Association of Sandusky, Erie County, (the “Library”) opened in 1895 and was organized as an association library at that time under the laws of the State of Ohio. The Library is directed by a ten-member Board of Directors (the “Directors”) who are self-appointed. Appointments are for five-year terms and members serve without compensation. Under Ohio statutes, the Library is a corporation capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. The Library is organized under section 1713.28 of the Ohio Revised Code and is governed by the Library’s Code of Regulations. The Library is a not-for-profit organization exempt from income tax under Section 501 (C) 3 of the U.S. Internal Revenue Code. The administration of the day-to-day operations of the Library is the responsibility of the Executive Director and financial accountability being solely that of the Fiscal Officer, as overseen by the Board of Directors and the finance committee.

Public Entity Risk Pool and Related Organization

The Library participates in a public entity risk pool and is associated with a related organization. Notes 9 and 13 to the financial statements provide additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and 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.

Net Assets and Liquidity

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

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

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

Without donor restrictions	
Undesignated	\$ 5,002,642
Designated by the Board for Building purposes	1,173,103
Total new assets without donor restrictions	6,175,745
With donor restrictions	
Purpose restrictions	\$ 1,966,774
Perpetual in nature	28,506
Total new assets with donor restrictions	1,995,280
Total net assets	\$ 8,171,025

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

Purposes of restrictions accomplished:	
Library programs	\$ 3,600
Library Exterior Maintenance and Restoration	378,965
Culultural and educational programs for Erie County Residents	241,053
Total new assets without donor restrictions	\$ 623,618

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "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.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Inventory and Prepaid Items

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

Capital Assets

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

Accumulated Leave

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

Leases

The Library is the lessee in various leases related to buildings and other equipment under noncancelable leases. Lease disbursements are recognized when they are paid.

Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Functional Allocation of Expenses

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

Note 3 – Deposits and Investments

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

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

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

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

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

Deposits

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

Investments

During 2023, investments were limited to STAR Ohio (the State Treasury Asset Reserve of Ohio) and a brokerage account consisting of insured cash, certificates of deposit, stock, exchange traded funds and mutual funds. The brokerage account was received through a bequest and is recorded at the estimated market value at the time of receipt by the Library. Dividends received and gains or losses on sales of investments are recorded as earnings on investments.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company. 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 a NAV per share that approximates fair value.

For 2023, 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 for deposits and withdrawals of \$100 million or more is encouraged. 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.

Note 4 – Grants in Aid and Taxes

Grants in Aid

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

Property Taxes

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

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

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

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

The full tax rate for all Library operations for the year ended December 31, 2023, was \$1.5 mill per \$1,000 of assessed value for City of Sandusky and Perkins Township and \$.8 mill per \$1,000 assessed value for Kelleys Island. The assessed values of real property upon which 2023 property tax receipts were collected were based on 2022 property values in the City of Sandusky, Perkins Township, and Kelleys Island.

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

Note 5 - Risk Management

Commercial Insurance

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2023, the Library contracted with one company for various types of insurance coverage.

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

- Comprehensive property and general liability;
- Personal property;
- Fine Arts;
- Employment Practices;
- Vehicles; and
- Errors and omissions.

Settled claims have not exceeded coverage in either of the last two years. The Library did not have a reduction in coverage from last year.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 6 - Defined Benefit Pension Plan

The employees of the Library participate in the Ohio Public Employees Retirement System (OPERS) which 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. Participating employers are divided into state, local, law enforcement, and public safety divisions. While members may elect the Member-Directed Plan and the Combined Plan, substantially all members are in the 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 and Combined Plans. Authority to establish and amend benefits is provided by state statute per 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 <http://www.opers.org/financial/reports.shtml>, by writing to OPERS, 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 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 the 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
Formula:	Formula:	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

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 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.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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 who retired prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

	State and Local	
	Traditional	Combined
2023 Statutory Maximum Contribution Rates		
Employer	14.0 %	14.0 %
Employee *	10.0 %	10.0 %
 2023 Actual Contribution Rates		
Employer:		
Pension **	14.0 %	12.0 %
Post-employment Health Care Benefits **	0.0	2.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

* 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; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contributions to OPERS for the year ended December 2023 was \$174,053. All required contributions were made prior to the end of the year.

Note 7 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - 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. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined, and Member-Directed plans. Medicare-enrolled retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to Traditional Pension Plan and Combined Plan benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Medicare Retirees: Medicare-eligible with a minimum of 20 years of qualifying service credit.

Non-Medicare Retirees: Non-Medicare retirees qualify based on the following age-and-service criteria:

Group A: 30 years of qualifying service credit at any age;

Group B: 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

Group C: 32 years of qualifying service credit and minimum age 55; or,

A retiree from groups A, B, or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022 who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022,

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

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.

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 allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the Traditional Plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

**LIBRARY ASSOCIATION OF SANDUSKY
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**NOTES TO THE FINANCIAL STATEMENTS
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Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a two percent allocation to health care for the 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 2022 was 4.0 percent; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$0 for 2023.

Note 8 - Leases

The Library leases parking spaces, copiers, and postage equipment under noncancelable leases. The Library disbursed \$15,899 to pay lease costs for the year ended December 31, 2023. The minimum future lease payments remaining on these leases are as follows:

Year	Amount
2024	\$ 7,084
2025	396
	<u>\$ 7,480</u>

Note 9 – Public Entity Risk Pool

Workers' Compensation Insurance

The Library belongs to the Ohio Library Council Workers Compensation Group Rating Program, Group # 05-2001. The group includes other library members, and its purpose is to obtain favorable premium ratings for the members in the group. The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs of the group. The Workers Compensation System administers and pays all claims.

Note 10 – Lease and Sublease of Library Premises

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

The City subleased the expanded Sandusky Library back to the Library commencing on the same date and expiring on the date, December 31, 2023, on which all the bonds were retired. The purpose of the sublease was to enable the Library to provide library services to the residents of the City. The Library was required to operate, maintain, and repair the premises, and to provide furnishings, equipment, and staff as well as pay for all expenses associated with the expanded Sandusky Library, property, including utilities and insurance.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 11 – Construction and Contractual Commitments

The Library has undertaken exterior maintenance and restoration work for the Sandusky Library and Follett House Museum. In 2021 the Library Board of Directors awarded the contract for the construction portion of the project in the amount of \$1,797,553. The Library Board of Directors has authorized change orders for additional maintenance and restoration work identified and deemed necessary following commencement of the project in the amount of \$1,385,296 for a total project cost of \$3,182,849. Construction costs are paid through a combination of local monies and restricted gifts and donations.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 13 – Related Organization

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

Note 14 – 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 ended in April 2023. The Library will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Note 15 – Subsequent Events

The cash basis of accounting defines subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through May 14, 2024, the date on which the financial statements were available to be issued.

**LIBRARY ASSOCIATION OF SANDUSKY
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***Statement of Financial Position - Cash Basis
As of December 31, 2022***

Current Assets	
Cash and Cash Equivalents	<u><u>\$7,984,940</u></u>
Net Assets	
Without Donor Restrictions	6,040,864
With Donor Restrictions	<u>1,944,076</u>
<i>Total Net Assets</i>	<u><u>\$7,984,940</u></u>

See accompanying notes to the financial statements.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

***Statement of Activities - Cash Basis
For the Year Ended December 31, 2022***

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
Support and Revenues:			
Property and Other Local Taxes	\$1,443,321	\$0	\$1,443,321
Library and Local Government Support	2,012,112	0	2,012,112
Intergovernmental	133,156	0	133,156
Patron Fines and Fees	13,528	0	13,528
Contributions, Gifts and Donations	26,524	140,705	167,229
Earnings on Investments	37,317	154,280	191,597
Miscellaneous	3,419	0	3,419
Satisfaction of Program Restrictions	905,161	(905,161)	0
<i>Total Support and Revenues</i>	<u>4,574,538</u>	<u>(610,176)</u>	<u>3,964,362</u>
Expenses:			
Program Services	3,706,288	0	3,706,288
Management and General	377,937	0	377,937
Capital Outlay	59,796	0	59,796
<i>Total Expenses</i>	<u>4,144,021</u>	<u>0</u>	<u>4,144,021</u>
Change in Net Assets	430,517	(610,176)	(179,659)
Net Assets, January 1	<u>5,610,347</u>	<u>2,554,252</u>	<u>8,164,599</u>
Net Assets, December 31	<u><u>\$6,040,864</u></u>	<u><u>\$1,944,076</u></u>	<u><u>\$7,984,940</u></u>

See accompanying notes to the financial statements.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

***Statement of Functional Expenses - Cash Basis
For the Year Ended December 31, 2022***

Expenses	Program Services	Management and General	Capital Outlay	Total Expenses
Salaries	\$860,793	\$278,846	\$0	\$1,139,639
Employee Fringe Benefits	320,527	67,508	0	388,035
Purchased and Contracted Services	2,149,792	30,622	0	2,180,414
Library Materials and Information	324,980	0	0	324,980
Supplies	39,540	0	0	39,540
Other	10,656	961	0	11,617
Capital Outlay	0	0	59,796	59,796
Total Expenses	<u>\$3,706,288</u>	<u>\$377,937</u>	<u>\$59,796</u>	<u>\$4,144,021</u>

See accompanying notes to the financial statements.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 1 – Reporting Entity

The Library Association of Sandusky, Erie County, (the “Library”) opened in 1895 and was organized as an association library at that time under the laws of the State of Ohio. The Library is directed by a ten-member Board of Directors (the “Directors”) who are self-appointed. Appointments are for five-year terms and members serve without compensation. Under Ohio statutes, the Library is a corporation capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. The Library is organized under section 1713.28 of the Ohio Revised Code and is governed by the Library’s Code of Regulations. The Library is a not-for-profit organization exempt from income tax under Section 501 (C) 3 of the U.S. Internal Revenue Code. The administration of the day-to-day operations of the Library is the responsibility of the Executive Director and financial accountability being solely that of the Fiscal Officer, as overseen by the Board of Directors and the finance committee.

Public Entity Risk Pool and Related Organization

The Library participates in a public entity risk pool and is associated with a related organization. Notes 9 and 13 to the financial statements provide additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and 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.

Net Assets and Liquidity

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

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

**LIBRARY ASSOCIATION OF SANDUSKY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

Without donor restrictions	
Undesignated	\$ 4,730,209
Designated by the Board for Building purposes	1,310,655
Total new assets without donor restrictions	<u>6,040,864</u>
With donor restrictions	
Purpose restrictions	\$ 1,915,570
Perpetual in nature	28,506
Total new assets with donor restrictions	<u>1,944,076</u>
Total net assets	<u>\$ 7,984,940</u>

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

Purposes of restrictions accomplished:	
Library programs	\$ 18,354
Library Exterior Maintenance and Restoration	611,246
Grant Program Disbursements	2,798
Culutral and educational programs for Erie County Residents	<u>272,763</u>
Total new assets without donor restrictions	<u>\$ 905,161</u>

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "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.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Inventory and Prepaid Items

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

Capital Assets

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

Accumulated Leave

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

Leases

The Library is the lessee in various leases related to buildings and other equipment under noncancelable leases. Lease payables are not reflected under the Library's cash basis of accounting. Lease revenue/disbursements are recognized when they are paid.

Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Functional Allocation of Expenses

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

Note 3 – Deposits and Investments

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

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

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

**LIBRARY ASSOCIATION OF SANDUSKY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

**LIBRARY ASSOCIATION OF SANDUSKY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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

Deposits

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

Investments

During 2022, investments were limited to STAR Ohio (the State Treasury Asset Reserve of Ohio) and a brokerage account consisting of insured cash, certificates of deposit, stock, exchange traded funds and mutual funds. The brokerage account was received through a bequest and is recorded at the estimated market value at the time of receipt by the Library. Dividends received and gains or losses on sales of investments are recorded as earnings on investments.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company. 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 a NAV per share that approximates fair value.

For 2022, 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 for deposits and withdrawals of \$100 million or more is encouraged. 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.

Note 4 – Grants in Aid and Taxes

Grants in Aid

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

Property Taxes

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

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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

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

The full tax rate for all Library operations for the year ended December 31, 2022, was \$1.5 mill per \$1,000 of assessed value for City of Sandusky and Perkins Township and \$.8 mill per \$1,000 assessed value for Kelleys Island. The assessed values of real property upon which 2022 property tax receipts were collected were based on 2021 property values in the City of Sandusky, Perkins Township, and Kelleys Island.

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

Note 5 - Risk Management

Commercial Insurance

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2022, the Library contracted with one company for various types of insurance coverage.

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

- Comprehensive property and general liability;
- Personal property;
- Fine Arts;
- Employment Practices;
- Vehicles; and
- Errors and omissions.

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

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 6 - Defined Benefit Pension Plan

The employees of the Library participate in the Ohio Public Employees Retirement System (OPERS) which 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. Participating employers are divided into state, local, law enforcement, and public safety divisions. While members may elect the Member-Directed Plan and the Combined Plan, substantially all members are in the 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 and Combined Plans. Authority to establish and amend benefits is provided by state statute per 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 <http://www.opers.org/financial/reports.shtml>, by writing to OPERS, 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 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 the 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
Formula:	Formula:	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

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 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.

**LIBRARY ASSOCIATION OF SANDUSKY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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 who retired prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

Effective January 1, 2022, the Combined Plan is no longer available for member selection.

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

	State and Local
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2022 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* 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 rate for the Member-Directed Plan is allocated 4 percent for health care with the remainder going to pension.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contributions to OPERS for the year ended December 2022 was \$156,151. All required contributions were made prior to the end of the year.

Note 7 - Postemployment Benefits

Plan Description - 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. 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.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

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 refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued 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.

**LIBRARY ASSOCIATION OF SANDUSKY
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In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. 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 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). 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 OPERS Board of Trustees (OPERS 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, OH 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 post-employment 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 2022, State and Local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, 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 2022 was 4.0 percent.

Note 8 - Leases

The Library leases parking spaces, copiers, and postage equipment under noncancelable leases. The Library disbursed \$11,089 to pay lease costs for the year ended December 31, 2022. The minimum future lease payments remaining on these leases are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 9,313
2024	7,084
2025	<u>396</u>
	<u>\$ 16,793</u>

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 9 – Public Entity Risk Pool

Workers' Compensation Insurance

The Library belongs to the Ohio Library Council Workers Compensation Group Rating Program, Group # 05-2001. The group includes other library members, and its purpose is to obtain favorable premium ratings for the members in the group. The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs of the group. The Workers Compensation System administers and pays all claims.

Note 10 – Lease and Sublease of Library Premises

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

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

Note 11 – Construction and Contractual Commitments

The Library has undertaken exterior maintenance and restoration work for the Sandusky Library and Follett House Museum. In 2021 the Library Board of Directors awarded the contract for the project in the amount of \$1,797,553. The Library Board of Directors has authorized change orders for additional maintenance and restoration work identified and deemed necessary following commencement of the project in the amount of \$796,513 for a total project cost of \$2,594,066. Construction costs are paid through a combination of local monies and restricted gifts and donations.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 13 – Related Organization

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

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 14 – 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 ended in April 2023. During 2022, 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.

Note 15 – Subsequent Events

The cash basis of accounting defines subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through May 14, 2024, the date on which the financial statements were available to be issued.

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the cash basis financial statements of the Library Association of Sandusky, Erie County, (the Library) as of and for the years ended December 31, 2022 and 2023 and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 14, 2024, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

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 purposes of expressing our opinion 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.



Charles E. Harris & Associates, Inc.
May 14, 2024

OHIO AUDITOR OF STATE KEITH FABER



LIBRARY ASSOCIATION OF SANDUSKY

ERIE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/9/2024

65 East State 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