



OHIO AUDITOR OF STATE  
**KEITH FABER**





**LORAIN PUBLIC LIBRARY SYSTEM  
LORAIN COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library System, Lorain County, Ohio (the Library), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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Efficient • Effective • Transparent

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library System, Lorain County, Ohio, as of December 31, 2018 and 2017, and the respective changes in cash financial position, and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

December 19, 2019

**Lorain Public Library System, Lorain County**

*Statement of Net Position - Cash Basis*

*December 31, 2018*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,633,939
Cash and Cash Equivalents in Segregated Accounts	<u>662,085</u>
<i>Total Assets</i>	<u><u>\$12,296,024</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$1,718,159
Permanent Fund Purpose:	
Nonexpendable	700
Other Purposes	7,463,412
Unrestricted	<u>3,113,753</u>
<i>Total Net Position</i>	<u><u>\$12,296,024</u></u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2018*

	<u>Program Cash Receipts</u>			Net (Disbursements)
	<u>Cash</u>	<u>Charges</u>	<u>Operating</u>	<u>Receipts and</u>
	<u>Disbursements</u>	<u>for Services</u>	<u>Grants and</u>	<u>Changes in Net</u>
		<u>and Sales</u>	<u>Contributions</u>	<u>Position</u>
			<u>Governmental</u>	
			<u>Activities</u>	
<b>Governmental Activities</b>				
Current:				
Library Services:				
Public Services and Programs	\$6,890,201	\$102,209	\$292,054	(\$6,495,938)
Collection Development and Processing	1,027,080			(1,027,080)
Support Services:				
Facilities Operation and Maintenance	471,814			(471,814)
Capital Outlay	1,183,266			(1,183,266)
<i>Total Primary Government</i>	<u>\$9,572,361</u>	<u>\$102,209</u>	<u>\$292,054</u>	<u>(\$9,178,098)</u>
General Receipts:				
Property Taxes Levied for General Purposes				5,389,916
Intergovernmental Funds				4,830,707
Earnings on Investments				178,643
Miscellaneous				44,707
<i>Total General Receipts</i>				<u>10,443,973</u>
Change in Net Position				1,265,875
<i>Net Position, Beginning of Year</i>				<u>11,030,149</u>
<i>Net Position, End of Year</i>				<u>\$12,296,024</u>

See accompanying notes to the basic financial statements



**Lorain Public Library System, Lorain County**  
*Statement of Assets and Fund Balances- Cash Basis*  
 Governmental Funds  
 December 31, 2018

	General	Building & Repair	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$9,645,655	\$1,531,847	\$456,437	\$11,633,939
Cash and Cash Equivalents in Segregated Accounts			662,085	662,085
<i>Total Assets</i>	<u>\$9,645,655</u>	<u>\$1,531,847</u>	<u>\$1,118,522</u>	<u>\$12,296,024</u>
<b>Fund Balances</b>				
Nonspendable			\$700	\$700
Restricted			931,510	931,510
Committed	\$58,741			58,741
Assigned	9,106,471	\$1,531,847	186,312	10,824,630
Unassigned	480,443			480,443
<i>Total Fund Balances</i>	<u>\$9,645,655</u>	<u>\$1,531,847</u>	<u>\$1,118,522</u>	<u>\$12,296,024</u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2018*

	General	Building & Repair	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$5,389,916			\$5,389,916
Public Library	4,129,950			4,129,950
Intergovernmental	700,758			700,758
Patron Fines and Fees	102,209			102,209
Contributions, Gifts and Donations	0		\$292,054	292,054
Earnings on Investments	158,276	\$6,700	13,667	178,643
Miscellaneous	44,707			44,707
<b>Total Receipts</b>	<b>10,525,816</b>	<b>6,700</b>	<b>305,721</b>	<b>10,838,237</b>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	6,841,293	1,013	47,895	6,890,201
Collection Development and Processing	1,018,452		8,628	1,027,080
Support Services:				
Facilities Operation and Maintenance	470,722		1,092	471,814
Information Services				0
Business Administration				0
Capital Outlay	412,069	650,933	120,265	1,183,267
<b>Total Disbursements</b>	<b>8,742,536</b>	<b>651,946</b>	<b>177,880</b>	<b>9,572,362</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>1,783,280</b>	<b>(645,246)</b>	<b>127,841</b>	<b>1,265,875</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In		1,000,000	20,000	1,020,000
Transfers Out	(1,020,000)			(1,020,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,020,000)</b>	<b>1,000,000</b>	<b>20,000</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>763,280</b>	<b>354,754</b>	<b>147,841</b>	<b>1,265,875</b>
<b>Fund Balances Beginning of Year</b>	<b>8,882,375</b>	<b>1,177,093</b>	<b>970,681</b>	<b>11,030,149</b>
<b>Fund Balances End of Year</b>	<b>\$9,645,655</b>	<b>\$1,531,847</b>	<b>\$1,118,522</b>	<b>\$12,296,024</b>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
**Statement of Receipts, Disbursements and Changes**  
**In Fund Balance - Budget and Actual - Budget Basis**  
**General Fund**  
**For the Year Ended December 31, 2018.**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$5,260,122	\$5,260,122	\$5,389,916	\$129,794
Public Library	3,974,530	4,089,122	4,129,950	40,828
Intergovernmental	684,978	761,399	700,758	(60,641)
Patron Fines and Fees	127,000	127,000	102,209	(24,791)
Contributions, Gifts and Donations	1,000	1,000	0	(1,000)
Earnings on Investments	16,887	16,887	158,276	141,389
Miscellaneous	6,600	6,600	44,707	38,107
<b>Total Receipts</b>	<b>10,071,117</b>	<b>10,262,130</b>	<b>10,525,816</b>	<b>263,686</b>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	8,324,091	8,759,920	7,328,561	1,431,359
Collection Development and Processing	1,353,841	1,424,725	1,199,770	224,955
Support Services:				
Facilities Operation and Maintenance	722,781	760,624	529,988	230,636
Capital Outlay	1,400,379	1,473,699	549,373	924,326
<b>Total Disbursements</b>	<b>11,801,092</b>	<b>12,418,968</b>	<b>9,607,692</b>	<b>2,811,276</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(1,729,975)</b>	<b>(2,156,838)</b>	<b>918,124</b>	<b>3,074,962</b>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(1,000,000)	(1,020,000)	(1,020,000)	
<b>Total Other Financing Sources (Uses)</b>	<b>(1,000,000)</b>	<b>(1,020,000)</b>	<b>(1,020,000)</b>	
<b>Net Change in Fund Balance</b>	<b>(2,729,975)</b>	<b>(3,176,838)</b>	<b>(101,876)</b>	<b>3,074,962</b>
<b>Unencumbered Fund Balance Beginning of Year</b>	<b>8,400,722</b>	<b>8,400,722</b>	<b>8,400,722</b>	
<b>Prior Year Encumbrances Appropriated</b>	<b>481,655</b>	<b>481,655</b>	<b>481,655</b>	
<b>Unencumbered Fund Balance End of Year</b>	<b>\$6,152,402</b>	<b>\$5,705,539</b>	<b>\$8,780,501</b>	<b>\$3,074,962</b>

See accompanying notes to the basic financial statements.

**Lorain Public Library System, Lorain County**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*December 31, 2018*

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	Wellness Fund
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$9,718
<i>Total Assets</i>	<u>9,718</u>
<b>Net Position</b>	
Held on behalf of Employees in Wellness and Healthcare Expendable	<u>9,718</u>
<i>Total Net Position</i>	<u><u>\$9,718</u></u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Description of the Library and Reporting Entity**

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

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

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

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

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization’s governing board; and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization’s resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

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

## **Note 2 - Summary of Significant Accounting Policies**

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

### ***Basis of Presentation***

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

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

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

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

### ***Fund Accounting***

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are divided into two categories, governmental and fiduciary.

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

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

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

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

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

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

***Cash and Cash Equivalents***

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

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

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

During 2018, investments were limited to STAR Ohio. The STAR Ohio accounts were reported at the bank balance value at year-end.

STAR Ohio (the State Treasury Asset Reserve), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Library measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transition to \$100 million per day, requiring the excess amount to be transferred the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Library funds according to State statutes. Interest receipts credited to the General Fund during 2018 was \$158,276, which includes \$10,164 assigned from other Library funds.

***Restricted Assets***

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



**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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***Inventory and Prepaid Items***

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

***Capital Assets***

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

***Accumulated Leave***

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

***Employer Contributions to Cost-Sharing Pension Plans***

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

***Net Position***

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

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

***Fund Balance***

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

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

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. State Statute authorizes the Library Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

***Internal Activity***

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

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

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$865,156 for the General Fund at December 31, 2018.

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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Net Change in Fund Balance

	<u>General Fund</u>
Cash Basis	\$763,280
Adjustments for Encumbrances	865,156
Budget Basis	(101,876)

**Note 4 – Deposits and Investments**

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

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

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

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

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 the public monies 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;

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds, and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

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

### ***Deposits***

Custodial credit risk is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end 2018, none of the Library's bank balance of \$8,590,580 was exposed to custodial credit risk because those deposits were insured and collateralized with securities held by the pledging financial institution's trust department or agent.

The Library has not deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

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

Participants 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 payment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

**Investments**

As of December 31, 2018 the Library had the following investments:

	Measurement Amount	Maturity
STAR Ohio	\$3,867,419	Less Than One Year

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

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

**Grants in Aid**

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

**Property Taxes**

Property taxes include amounts levied against all real property and public utility property located in the Library's Districts. Property tax revenue received in 2018 for real and public utility property taxes represents collections of the 2017 taxes.

2018 real property taxes are levied after October 1, 2018 on the assessed values as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. The 2018 real property taxes are collected in and intended to finance 2019.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. The 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2018, varies from different communities. The assessed values of real and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property		
Residential/Agricultural	\$2,125,421,300	
Other	414,252,070	
Public Utility Property	72,397,180	
Total	\$2,612,070,550	

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
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The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected for the Lorain City School District. The finance directors from the other taxing authorities remit to the Library their portions of the taxes collected for their cities or township.

***Tax Abatements***

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

<b>Tax Abatement Program</b>	<b>Total Amount of Taxes Abated</b>
Community Reinvestment Area (CRA)	
City of Lorain	\$3,004
City of North Ridgeville	22,541
Enterprise Zone	
City of Avon	34,988
Total All Abatements	60,533

The Library is not receiving any amount from Lorain County in association with the foregone property tax revenue. Incentives abated for 2017 that would have been collected in 2018 in actual dollars.

**Note 6 – Interfund Balances and Transfers**

***Transfers***

During 2018, the following transfers were made:

<b>Transfer to</b>	<b>Transfer From Major funds</b>
	<b>General Fund</b>
Building and Repair Fund	\$1,000,000
Other Nonmajor Governmental Funds	20,000

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018

**Note 7 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, the Library contracted with The Ohio Plan for various types of insurance coverage as follows:

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

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

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. The System administers and pays all claims.

**Note 8 - Defined Benefit Pension Plan**

***OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM***

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

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

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> 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>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>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>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

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

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

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

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

	<u>State and Local</u>
<b>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.0%
Employee	10.0%
<b>2018 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>



**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2018, the Library's contractually required contribution was \$539,413.

## **Note 9 – Post-Employment 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, 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 combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary. 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 2018, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$0 for the year 2018.

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 10 – Construction and Contractual Commitments**

The Library Board of Trustees approved various bids through State pricing contracts for the renovations of the Main Library. The work began in 2018 and was completed in 2019.

**Note 11 – Related Organizations**

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

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

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

**Note 12 - Fund Balances**

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018

Fund Balances	General Fund	Building & Repair	Other Governmental Funds	Total
<b>Nonspendable</b>				
Permanent			\$700	\$700
<i>Total Nonspendable</i>			700	700
<b>Restricted for</b>				
Summer Reading			12,832	12,832
Project Lite			6,251	6,251
Book Memorial			446,519	446,519
LPLS Foundation			42	42
Hageman			388,003	388,003
Stocker			26,849	26,849
Kurtz Male			1,776	1,776
Domonkas Building			49,239	49,239
<i>Total Restricted</i>			931,510	931,510
<b>Committed to</b>				
Library Ideas	\$29,741			29,741
Paycor	29,000			29,000
<i>Total Committed</i>	58,741			58,741
<b>Assigned to</b>				
Encumbrances	865,157			401,349
North Ridgeville Branch	2,906,962			2,906,962
Avon Branch	601,096			601,096
Columbia Branch	385,214			385,214
Domonkas Branch	275,465			275,465
Lorain Libraries	2,996,980			2,996,980
Building & Repair		\$1,531,847		1,531,847
Capital Improvements			186,312	186,312
Subsequent Year				
Appropriations	1,075,597			1,783,280
<i>Total Assigned</i>	9,106,471	1,531,847	186,312	11,068,506
<b>Unassigned (deficit)</b>	480,443			236,566
<i>Total Fund Balances</i>	<u>\$9,645,655</u>	<u>\$1,531,847</u>	<u>\$1,118,522</u>	<u>\$12,296,024</u>

**Lorain Public Library System, Lorain County**

*Statement of Net Position - Cash Basis*

*December 31, 2017*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$10,380,844
Cash and Cash Equivalents in Segregated Accounts	<u>649,305</u>
<i>Total Assets</i>	<u><u>\$11,030,149</u></u>
<b>Net Position</b>	
Restricted for:	
Permanent Fund Purpose:	
Nonexpendable	700
Other Purposes	675,836
Unrestricted	<u>10,353,613</u>
<i>Total Net Position</i>	<u><u>\$11,030,149</u></u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2017

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Library Services:				
Public Services and Programs	\$6,779,507	\$102,875	\$114,714	(\$6,561,918)
Collection Development and Processing	1,095,934			(1,095,934)
Support Services:				
Facilities Operation and Maintenance	442,229			(442,229)
Capital Outlay	697,446			(697,446)
<i>Total Primary Government</i>	<u>\$9,015,116</u>	<u>\$102,875</u>	<u>\$114,714</u>	<u>(\$8,797,527)</u>
General Receipts:				
Property Taxes Levied for General Purposes				5,257,359
Intergovernmental Funds				4,676,994
Earnings on Investments				74,545
Miscellaneous				65,218
<i>Total General Receipts</i>				<u>10,074,116</u>
Change in Net Position				1,276,589
<i>Net Position, Beginning of Year</i>				<u>9,753,560</u>
<i>Net Position, End of Year</i>				<u>\$11,030,149</u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2017*

	General	Building & Repair	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$8,882,375	\$1,177,093	\$321,376	\$10,380,844
Cash and Cash Equivalents in Segregated Accounts			649,305	649,305
<i>Total Assets</i>	<u>\$8,882,375</u>	<u>\$1,177,093</u>	<u>\$970,681</u>	<u>\$11,030,149</u>
<b>Fund Balances</b>				
Nonspendable			\$700	\$700
Restricted			675,836	675,836
Committed	\$39,000			39,000
Assigned	8,266,404	\$1,177,093	294,145	9,737,642
Unassigned	576,971			576,971
<i>Total Fund Balances</i>	<u>\$8,882,375</u>	<u>\$1,177,093</u>	<u>\$970,681</u>	<u>\$11,030,149</u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
**Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis**  
**Governmental Funds**  
**For the Year Ended December 31, 2017**

	General	Building & Repair	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$5,257,358			\$5,257,358
Public Library	3,970,472			3,970,472
Intergovernmental	706,522			706,522
Patron Fines and Fees	101,102			101,102
Contributions, Gifts and Donations	51,768		\$64,720	116,488
Earnings on Investments	65,721	\$1,307	7,507	74,535
Miscellaneous	65,218			65,218
<b>Total Receipts</b>	<b>10,218,161</b>	<b>1,307</b>	<b>72,227</b>	<b>10,291,695</b>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Library Services:</b>				
Public Services and Programs	6,757,427	3,038	19,029	6,779,494
Collection Development and Processing	1,067,608		28,329	1,095,937
<b>Support Services:</b>				
Facilities Operation and Maintenance	442,229			442,229
Capital Outlay	283,122	378,703	35,621	697,446
<b>Total Disbursements</b>	<b>8,550,386</b>	<b>381,741</b>	<b>82,979</b>	<b>9,015,106</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>1,667,775</b>	<b>(380,434)</b>	<b>(10,752)</b>	<b>1,276,589</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In		1,000,000		1,000,000
Transfers Out	(1,000,000)			(1,000,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,000,000)</b>	<b>1,000,000</b>		<b>0</b>
<b>Net Change in Fund Balances</b>	<b>667,775</b>	<b>619,566</b>	<b>(10,752)</b>	<b>1,276,589</b>
<b>Fund Balances, Beginning of Year</b>	<b>8,214,600</b>	<b>557,527</b>	<b>981,433</b>	<b>9,753,560</b>
<b>Fund Balances, End of Year</b>	<b>\$8,882,375</b>	<b>\$1,177,093</b>	<b>\$970,681</b>	<b>\$11,030,149</b>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$5,260,122	\$5,260,122	\$5,257,358	(\$2,764)
Public Library	4,160,237	3,962,755	3,970,472	7,717
Intergovernmental	619,659	684,978	706,522	21,544
Patron Fines and Fees	127,000	127,000	101,102	(25,898)
Contributions, Gifts and Donations	1,000	1,000	51,768	50,768
Earnings on Investments	15,685	15,591	65,721	50,130
Miscellaneous	6,600	6,600	65,218	58,618
<i>Total Receipts</i>	<u>10,190,303</u>	<u>10,058,046</u>	<u>10,218,161</u>	<u>160,115</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	8,101,918	8,209,197	6,965,098	1,244,099
Collection Development and Processing	1,520,550	1,540,684	1,216,064	324,620
Support Services:				
Facilities Operation and Maintenance	579,990	587,670	495,902	91,768
Capital Outlay	1,102,931	1,117,535	354,977	762,558
<i>Total Disbursements</i>	<u>11,305,389</u>	<u>11,455,086</u>	<u>9,032,041</u>	<u>2,423,045</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,115,086)</u>	<u>(1,397,040)</u>	<u>1,186,120</u>	<u>2,583,160</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(1,000,000)	(1,000,000)	(1,000,000)	
<i>Total Other Financing Sources (Uses)</i>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	
<i>Net Change in Fund Balance</i>	<u>(2,115,086)</u>	<u>(2,397,040)</u>	<u>186,120</u>	<u>2,583,160</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	7,924,071	7,924,071	7,924,071	
Prior Year Encumbrances Appropriated	290,529	290,529	290,529	
<i>Unencumbered Fund Balance, End of Year</i>	<u>\$6,099,514</u>	<u>\$5,817,560</u>	<u>\$8,400,720</u>	<u>\$2,583,160</u>

See accompanying notes to the basic financial statements



**Lorain Public Library System, Lorain County**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*December 31, 2017*

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	<u>Wellness Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$14,890</u>
<i>Total Assets</i>	<u>14,890</u>
<b>Net Position</b>	
Held on behalf of Employees in Wellness and Healthcare Expendable	<u>14,890</u>
<i>Total Net Position</i>	<u><u>\$14,890</u></u>

See accompanying notes to the basic financial statements

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Description of the Library and Reporting Entity**

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

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

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

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

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization’s governing board; and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization’s resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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

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

**Note 2 - Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

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

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

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

***Fund Accounting***

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are divided into two categories, governmental and fiduciary.

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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

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

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

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

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

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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

***Cash and Cash Equivalents***

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

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

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

During 2017, investments were limited to STAR Ohio. The STAR Ohio accounts were reported at the bank balance value at year-end.

STAR Ohio (the State Treasury Asset Reserve), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Library measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transition to \$100 million per day, requiring the excess amount to be transferred the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Library funds according to State statutes. Interest receipts credited to the General Fund during 2017 was \$65,721, which includes \$5,699 assigned from other Library funds.

***Restricted Assets***

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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***Inventory and Prepaid Items***

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

***Capital Assets***

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

***Accumulated Leave***

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

***Employer Contributions to Cost-Sharing Pension Plans***

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

***Net Position***

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

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

***Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. State Statute authorizes the Library Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

***Internal Activity***

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

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

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the Building and Repair Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$481,655 for the General Fund at December 31, 2017.

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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Net Change in Fund Balance

	<u>General Fund</u>
Cash Basis	\$667,775
Adjustments for Encumbrances	481,655
Budget Basis	\$186,120

**Note 4 – Deposits and Investments**

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

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

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

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

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 the public monies 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;



**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds, and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

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

### **Deposits**

Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing the specific pledge method. Financial institutions are transitioning to OPCS, but some have been granted extensions that may carry over year end and will be collateralizing with their own collateral pool until they join OPCS.

Custodial credit risk is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end 2017, \$6,921,449 of the Library's bank balance of \$7,436,370 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

The Library has not deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

Participants 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 payment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Investments**

As of December 31, 2017 the Library had the following investments:

	Measurement Amount	Maturity
STAR Ohio	\$3,792,765	Less Than One Year

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

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

**Grants in Aid**

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

**Property Taxes**

Property taxes include amounts levied against all real property and public utility property located in the Library's Districts. Property tax revenue received in 2017 for real and public utility property taxes represents collections of the 2016 taxes.

2017 real property taxes are levied after October 1, 2017 on the assessed values as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. The 2017 real property taxes are collected in and intended to finance 2018.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. The 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2017, varies from different communities. The assessed values of real and public utility tangible property upon which 2017 property tax receipts were based are as follows:

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

Real Property	
Residential/Agricultural	\$2,088,843,770
Other	403,634,900
Public Utility Property	<u>67,905,080</u>
Total	<u>\$2,560,383,750</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected for the Lorain City School District. The finance directors from the other taxing authorities remit to the Library their portions of the taxes collected for their cities or township.

***Tax Abatements***

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

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated</u>
Community Reinvestment Area (CRA)	
City of Lorain	\$17,261
City of North Ridgeville	26,698
Enterprise Zone	
City of Avon	51,898
City of North Ridgeville	9,048
Total All Abatements	104,905

The Library is not receiving any amount from Lorain County in association with the foregone property tax revenue. Incentives abated for 2016 that would have been collected in 2017 in actual dollars.

**Note 6 – Interfund Balances and Transfers**

***Transfers***

During 2017, the following transfers were made:

	<b>Transfer From Major funds</b>
<b>Transfer to</b>	<b>General Fund</b>
Building and Repair Fund	\$ 1,000,000

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 7 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017, the Library contracted with The Ohio Plan for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
The Ohio Plan	Commercial Property	\$94,018,852
	General Liability	\$5,000,000/\$7,000,000
	Employee Benefits	\$5,000,000/\$7,000,000
	Employee Dishonesty	\$100,000
	Vehicle	\$5,000,000
	Library Officials	\$5,000,000/\$7,000,000

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

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. The System administers and pays all claims.

**Note 8 - Defined Benefit Pension Plan**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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

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

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2017

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> 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>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>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>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

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

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

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

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

	<u>State and Local</u>
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.0%
Employee	10.0%
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.0%
Post-employment Health Care Benefits	<u>1.0%</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. For 2017, the Library's contractually required contribution was \$538,863.

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 9 – Post-Employment 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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. 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. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 years or more of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not mandate, OPERS to provide OPEB Plan to its eligible members and beneficiaries.

Authority to establish and amend OPEB Plan is provided in Chapter 145 of the Ohio Revised Code. The health care coverage by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the plan Statement in OPERS CAFR for details.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017, local government employers contributed 14.0 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan. OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding post-employment healthcare benefits. For the period January 1, through December 31, 2017, a portion of the Library's contribution equal to 1.0 percent of covered payroll was allocated to fund the post-employment healthcare plan.

The OPERS Retirement Board is also authorized to establish rules for the payment of portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library's contributions allocated to fund post-employment healthcare benefits for the years ended December 31, 2017, 2016, and 2015 were \$38,490, 74,337, and \$73,701, respectively; 100 percent has been contributed for 2017, 2016, and 2015.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocated 4 percent of

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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the employer contributions toward the health care fund after the end of the transition period.

**Note 10 – Construction and Contractual Commitments**

The Library Board of Trustees approved a bid of \$230,610 for the replacement of chillers for the HVAC system at the Main Library. The work is to be completed in 2018.

**Note 11 – Related Organizations**

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

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

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

**Note 12 - Fund Balances**

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

**Lorain Public Library System, Lorain County**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2017

Fund Balances	General Fund	Building & Repair	Other Governmental Funds	Total
<b>Nonspendable</b>				
Permanent			\$700	\$700
<i>Total Nonspendable</i>			700	700
<b>Restricted for</b>				
Summer Reading			11,009	11,009
Project Lite			6,251	6,251
Book Memorial			223,498	223,498
LPLS Foundation			42	42
Hageman			353,029	353,029
Stocker			26,302	26,302
Kurtz Male			1,728	1,728
Domonkas Building			48,288	48,288
<i>Total Restricted</i>			670,147	670,147
<b>Committed to</b>				
Emerge Webhosting	\$39,000			39,000
<i>Total Committed</i>	39,000			39,000
<b>Assigned to</b>				
Encumbrances	481,655			721,734
North Ridgeville Branch	2,518,369			2,518,369
Avon Branch	579,795			579,795
Columbia Branch	354,932			354,932
Domonkas Branch	208,134			208,134
Lorain Libraries	1,934,184			1,934,184
Building & Repair		\$1,177,093		1,004,203
Capital Improvements			299,834	232,645
Subsequent Year				
Appropriations	1,940,157			1,940,157
<i>Total Assigned</i>	8,017,226	1,177,093	299,834	9,494,153
<b>Unassigned (deficit)</b>	826,149			826,149
<i>Total Fund Balances</i>	<u>\$8,882,375</u>	<u>\$1,177,093</u>	<u>\$970,681</u>	<u>\$11,030,149</u>



# OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain Public Library System, Lorain County, Ohio, (the Library) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 19, 2019, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

December 19, 2019

# OHIO AUDITOR OF STATE KEITH FABER



**LORAIN PUBLIC LIBRARY SYSTEM**

**LORAIN COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 9, 2020**