

HERRICK MEMORIAL PUBLIC LIBRARY

LORAIN COUNTY, OHIO

**Basic Financial Statements
(Audited)**

**For the Years Ended
December 31, 2019 and 2018**

OHIO AUDITOR OF STATE
KEITH FABER



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

Board of Trustees
Herrick Memorial Public Library
101 Willard Memorial Square
Wellington, Ohio 44090

We have reviewed the *Independent Auditor's Report* of Herrick Memorial Public Library, Lorain County, prepared by Julian & Grube, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 12, 2020

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**HERRICK MEMORIAL PUBLIC LIBRARY
LORAIN COUNTY, OHIO**

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Independent Auditor's Report

Herrick Memorial Public Library
Lorain County
101 Willard Memorial Square
Wellington, Ohio 44090

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 Herrick Memorial Public Library, Lorain County, Ohio, as of and for the years ended December 31, 2019 and December 31, 2018, and the related notes to the cash basis financial statements, which collectively comprise the Herrick Memorial Public 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 Herrick Memorial Public 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 Herrick Memorial Public Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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 Herrick Memorial Public Library, Lorain County, Ohio, as of December 31, 2019 and December 31, 2018, 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.

Emphasis of Matters

As discussed in Note 12 to the financial statements for the year ended December 31, 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Herrick Memorial Public Library.

As discussed in Note 12 to the financial statement for the year ended December 31, 2018, the Herrick Memorial Public Library had a restatement of fund balances at December 31, 2017 due to a reclassification of a fund to conform to GASB 54 requirements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2020 on our consideration of the Herrick Memorial Public 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 Herrick Memorial Public Library's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 24, 2020

Herrick Memorial Public Library
Statement of Net Position - Cash Basis
December 31, 2019

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$1,547,595</u> |
| <i>Total Assets</i> | <u><u>\$1,547,595</u></u> |
| | |
| Net Position | |
| Restricted for: | |
| Other Purposes | 67,474 |
| Unrestricted | <u>1,480,121</u> |
| <i>Total Net Position</i> | <u><u>\$1,547,595</u></u> |

See accompanying notes to the basic financial statements

Herrick Memorial Public Library
Statement of Activities - Cash Basis
For the Year Ended December 31, 2019

| | <u>Cash</u> <u>Disbursements</u> | <u>Program Cash Receipts</u> Charges for Services and Sales | <u>Net (Disbursements) Receipts and Changes in Net Position</u> Governmental Activities | <u>Total</u> |
|---------------------------------------|-------------------------------------|--|---|--------------------|
| Governmental Activities | | | | |
| Current: | | | | |
| Library Services: | \$0 | \$4,805 | \$4,805 | \$4,805 |
| Public Services and Programs | 315,934 | 0 | (315,934) | (315,934) |
| Collection Development and Processing | 97,637 | 0 | (97,637) | (97,637) |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 45,480 | 0 | (45,480) | (45,480) |
| Information Services | 5,906 | 0 | (5,906) | (5,906) |
| Business Administration | 54,627 | 0 | (54,627) | (54,627) |
| Capital Outlay | 3,487 | 0 | (3,487) | (3,487) |
| Other | 1,208 | 0 | (1,208) | (1,208) |
| <i>Total Governmental Activities</i> | <u>524,279</u> | <u>4,805</u> | <u>(519,474)</u> | <u>(519,474)</u> |
| <i>Total Primary Government</i> | <u>\$524,279</u> | <u>\$4,805</u> | <u>(519,474)</u> | <u>(519,474)</u> |
| | | General Receipts: | | |
| | | | | 305,655 |
| | | | | 10,073 |
| | | | | 308,935 |
| | | | | 25,989 |
| | | | | <u>2,424</u> |
| | | | <i>Total General Receipts</i> | <u>653,076</u> |
| | | | Change in Net Position | 133,602 |
| | | | <i>Net Position Beginning of Year</i> | <u>1,413,992</u> |
| | | | <i>Net Position End of Year</i> | <u>\$1,547,594</u> |

See accompanying notes to the basic financial statements

Herrick Memorial Public Library
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2019

| | General | Building & Repair Fund | Other Governmental Funds | Total Governmental Funds |
|--|------------------|---------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$717,896 | \$762,332 | \$67,367 | \$1,547,595 |
| <i>Total Assets</i> | <u>\$717,896</u> | <u>\$762,332</u> | <u>\$67,367</u> | <u>\$1,547,595</u> |
| Fund Balances | | | | |
| Restricted | \$0 | \$0 | \$67,367 | \$67,367 |
| Committed | 0 | 762,332 | 0 | 762,332 |
| Unassigned (Deficit) | 717,896 | 0 | 0 | 717,896 |
| <i>Total Fund Balances</i> | <u>\$717,896</u> | <u>\$762,332</u> | <u>\$67,367</u> | <u>\$1,547,595</u> |

See accompanying notes to the basic financial statements

Herrick Memorial Public Library
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2019

| | General | Building & Repair Fund | Other Governmental Funds | Total Governmental Funds |
|--|------------------|---------------------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Property and Other Local Taxes | \$293,126 | \$0 | \$0 | \$293,126 |
| Public Library | 306,865 | 0 | 0 | 306,865 |
| Intergovernmental | 14,599 | 0 | 0 | 14,599 |
| Patron Fines and Fees | 4,806 | 0 | 0 | 4,806 |
| Contributions, Gifts and Donations | 9,693 | 0 | 1,084 | 10,777 |
| Earnings on Investments | 9,149 | 16,692 | 148 | 25,989 |
| Miscellaneous | 1,720 | 0 | 0 | 1,720 |
| <i>Total Receipts</i> | <u>639,958</u> | <u>16,692</u> | <u>1,232</u> | <u>657,882</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 315,406 | 0 | 528 | 315,934 |
| Collection Development and Processing | 94,024 | 0 | 3,613 | 97,637 |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 40,828 | 4,652 | 0 | 45,480 |
| Information Services | 5,906 | 0 | 0 | 5,906 |
| Business Administration | 54,627 | 0 | 0 | 54,627 |
| Capital Outlay | 3,072 | 415 | 0 | 3,487 |
| <i>Total Disbursements</i> | <u>513,863</u> | <u>5,067</u> | <u>4,141</u> | <u>523,071</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>126,095</u> | <u>11,625</u> | <u>(2,909)</u> | <u>134,811</u> |
| Other Financing Sources (Uses) | | | | |
| Other Financing Uses | (1,208) | 0 | 0 | (1,208) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(1,208)</u> | <u>0</u> | <u>0</u> | <u>(1,208)</u> |
| <i>Net Change in Fund Balances</i> | 124,887 | 11,625 | (2,909) | 133,603 |
| <i>Fund Balances Beginning of Year</i> | <u>593,009</u> | <u>750,707</u> | <u>70,276</u> | <u>1,413,992</u> |
| <i>Fund Balances End of Year</i> | <u>\$717,896</u> | <u>\$762,332</u> | <u>\$67,367</u> | <u>\$1,547,595</u> |

See accompanying notes to the basic financial statements

Herrick Memorial Public Library
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2019

| | Budgeted Amounts | | Actual | (Optional) Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|-----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$271,146 | \$274,629 | \$293,126 | \$18,497 |
| Public Library | 299,968 | 307,697 | 306,865 | (832) |
| Intergovernmental | 22,938 | 23,437 | 14,599 | (8,838) |
| Patron Fines and Fees | 2,000 | 2,000 | 4,806 | 2,806 |
| Contributions, Gifts and Donations | 6,000 | 14,341 | 9,693 | (4,648) |
| Earnings on Investments | 500 | 500 | 9,149 | 8,649 |
| Miscellaneous | 600 | 600 | 1,720 | 1,120 |
| <i>Total Receipts</i> | 603,152 | 623,204 | 639,958 | 16,754 |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 319,125 | 327,776 | 307,400 | 20,376 |
| Collection Development and Processing | 93,086 | 112,000 | 102,762 | 9,238 |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 50,924 | 51,234 | 41,044 | 10,190 |
| Information Services | 10,000 | 10,000 | 5,906 | 4,094 |
| Business Administration | 60,471 | 64,790 | 54,777 | 10,013 |
| Capital Outlay | 10,500 | 3,072 | 3,072 | 0 |
| <i>Total Disbursements</i> | 544,106 | 568,872 | 514,961 | 53,911 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 59,046 | 54,332 | 124,997 | 70,665 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (6,639) | (6,435) | (6,435) | 0 |
| Other Financing Uses | (7,756) | (3,227) | (1,208) | 2,019 |
| <i>Total Other Financing Sources (Uses)</i> | (14,395) | (9,662) | (7,643) | 2,019 |
| <i>Net Change in Fund Balance</i> | 44,651 | 44,670 | 117,354 | 72,684 |
| <i>Unencumbered Fund Balance Beginning of Year</i> | 580,989 | 580,989 | 580,989 | 0 |
| Prior Year Encumbrances Appropriated | 7,357 | 7,357 | 7,357 | 0 |
| <i>Unencumbered Fund Balance End of Year</i> | \$632,997 | \$633,016 | \$705,700 | \$72,684 |

See accompanying notes to the basic financial statements

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Description of the Library and Reporting Entity

The Herrick Memorial Public Library (the Library), Lorain County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board of Trustees of Wellington Township appoints a three-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with administration of the day-to-day operations of the Library being responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

Under the provisions of Statement No. 61 of the Governmental Accounting Standards Board, “The Financial Reporting Entity, Omnibus an amendment of GASB Statements No. 14 and No. 34” the Library is considered to be a jointly governed organization of Wellington Township.

Component Units

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Friends of Herrick Memorial Public Library is a not-for-profit organization established under section 501(c) (3) of the Internal Revenue Code with a self-appointing board. The Friends organization was developed by community members who support the Library through fund-raising activities. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Library received \$ 6,435 in financial contributions from the Friends during the period of January 1, 2019 through December 31, 2019. The Friends Treasurer's Report (unaudited) can be obtained from Susan Alspach Treasurer at 101 Willard Memorial Square, Wellington, OH 44090. 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.

Herrick Memorial Public Library

Lorain County

Notes to the Financial Statements

For the Year Ended December 31, 2019

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 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. The Library had no fiduciary funds. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Library had no business-type activities.

The statement of net position presents the equity in pooled cash and cash equivalents 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 activity 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 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.

Fund Accounting

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

Herrick Memorial Public Library

Lorain County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies – (Continued)

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 committed 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.

Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. 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.

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, 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 Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

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

Herrick Memorial Public Library

Lorain County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies – (Continued)

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 2019, the Library invested in STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is 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 transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Library funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2019 was \$9,149 which includes \$2,356 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. The Library had no restricted assets.

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies – (Continued)

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.

Inventories resulting from cash transactions are presented at cost on a first-in, first-out basis and are reported as disbursements when used. Prepaid items are reported as disbursements when consumed.

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 7 and 8, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Long-Term Obligations

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. The Library had no long-term obligations.

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 materials.

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.

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies – (Continued)

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

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.

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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(s) between the budgetary basis and the cash basis are as follows:

1. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (*modified* cash basis).
2. Fund reclassification because of GASB 54.

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

| | |
|-------------------------------|-------------------------|
| | <u>General</u> |
| Cash Basis | \$124,887 |
| GASB 54 Fund Reclassification | 2,533 |
| Encumbrances | <u>(10,066)</u> |
| Budget Basis | <u><u>\$117,354</u></u> |

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.

Herrick Memorial Public Library

Lorain County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 4 – Deposits and Investments – (Continued)

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

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

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

Herrick Memorial Public Library

Lorain County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 4 – Deposits and Investments – (Continued)

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 investments to the Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments

As of December 31, 2019, the Library had the following investments:

| | Measurement Value | Maturity |
|-----------------|----------------------|-----------|
| STAR Ohio | \$1,144,982 | 55.7 Days |
| Total Portfolio | \$1,144,982 | |

| | Measurement Amount | Less than 1 |
|-----------------|-----------------------|----------------|
| STAR Ohio | \$1,144,982 | \$1,144,982 |
| Total Portfolio | \$1,144,982 | \$1,144,982 |

Interest Rate Risk

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

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 on nationally recognized standard rating service.

Concentration of Credit Risk

The Library places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2019:

| <u>Investment Issuer</u> | <u>Percentage of Investments</u> |
|--------------------------|----------------------------------|
| STAR Ohio | 100% |

Note 5 – Grants in Aid and Property Taxes

Grants in Aid

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Grants in Aid and Property Taxes – (Continued)

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. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2019, was \$1.25 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

| | |
|----------------------------------|-----------------------------|
| Real Property | \$249,636,340 |
| Public Utility Personal Property | <u>23,320,270</u> |
| Total | <u><u>\$272,956,610</u></u> |

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

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. 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 (if material).

The Library manages health and dental coverage for full time employees with a policy thru Medical Mutual of Ohio. Our group has a grand-mothered plan which has been able to delay moving to an Affordable Care Act plan due to the transitional relief period granted by the federal government. This relief period has been extended through Dec. 31, 2020.

Commercial Insurance

During 2019 the Library contracted with several companies for various typed of insurance coverages as follows:

Schlather Ins. Agency: Westfield Insurance Company: Property & Liability
France & Associates: Chubb Insurance Group-Liability Insurance: Officers, Director & Entity

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.

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Defined Benefit Pension Plan

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Defined Benefit Pension Plan – (Continued)

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

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

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

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Defined Benefit Pension Plan – (Continued)

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library’s contractually required contribution was \$34,418 for the year 2019.

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

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

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

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Postemployment Benefits – (Continued)

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 and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 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. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library’s contractually required contribution was \$0 for the year 2019.

Note 9 – Contingent Liabilities

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

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Jointly Governed Organizations

Wellington Township

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

Note 11 – 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:

| Fund Balances | General | Building & Repair | Other Governmental Funds | Total |
|-----------------------------|------------------|----------------------|--------------------------------|--------------------|
| Restricted for | | | | |
| Materials | \$0 | \$0 | \$67,367 | \$67,367 |
| <i>Total Restricted</i> | <u>0</u> | <u>0</u> | <u>67,367</u> | <u>67,367</u> |
| Committed to | | | | |
| Capital Improvements | 0 | 762,332 | 0 | 762,332 |
| <i>Total Committed</i> | <u>0</u> | <u>762,332</u> | <u>0</u> | <u>762,332</u> |
| Unassigned (Deficit) | <u>717,896</u> | <u>0</u> | <u>0</u> | <u>717,896</u> |
| <i>Total Fund Balances</i> | <u>\$717,896</u> | <u>\$762,332</u> | <u>\$67,367</u> | <u>\$1,547,595</u> |

Note 12 – Subsequent Event

The United States of America and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing measures will impact subsequent periods of the Library. The impact on the Library’s resources and obligations cannot be estimated.

Herrick Memorial Public Library
Statement of Net Position - Cash Basis
December 31, 2018

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$1,413,992</u> |
| <i>Total Assets</i> | <u><u>\$1,413,992</u></u> |
| | |
| Net Position | |
| Restricted for: | |
| Other Purposes | 73,177 |
| Unrestricted | <u>1,340,815</u> |
| <i>Total Net Position</i> | <u><u>\$1,413,992</u></u> |

See accompanying notes to the basic financial statements

Herrick Memorial Public Library
Statement of Activities - Cash Basis
For the Year Ended December 31, 2018

| | Program Cash Receipts | | Net (Disbursements) Receipts and Changes in Net Position | |
|---|-----------------------|--------------------------------|--|--------------------|
| | Cash Disbursements | Charges for Services and Sales | Governmental Activities | Total |
| Governmental Activities | | | | |
| Current: | | | | |
| Library Services: | \$0 | \$4,960 | \$4,960 | \$4,960 |
| Public Services and Programs | 319,333 | 0 | (319,333) | (319,333) |
| Collection Development and Processing | 75,265 | 0 | (75,265) | (75,265) |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 77,774 | 0 | (77,774) | (77,774) |
| Information Services | 5,438 | 0 | (5,438) | (5,438) |
| Business Administration | 50,504 | 0 | (50,504) | (50,504) |
| Capital Outlay | 15,843 | 0 | (15,843) | (15,843) |
| Other | 8,224 | 0 | (8,224) | (8,224) |
| <i>Total Governmental Activities</i> | <u>552,381</u> | <u>4,960</u> | <u>(547,421)</u> | <u>(547,421)</u> |
| <i>Total Primary Government</i> | <u>\$552,381</u> | <u>\$4,960</u> | <u>(547,421)</u> | <u>(547,421)</u> |
| General Receipts: | | | | |
| Property Taxes | | | | 300,306 |
| Unrestricted Gifts and Contributions | | | | 47,860 |
| Grants/Entitlements not Restricted to Specific Programs | | | | 296,280 |
| Earnings on Investments | | | | 9,668 |
| Miscellaneous | | | | 5,741 |
| <i>Total General Receipts</i> | | | | <u>659,855</u> |
| Change in Net Position | | | | 112,434 |
| <i>Net Position Beginning of Year</i> | | | | <u>1,301,558</u> |
| <i>Net Position End of Year</i> | | | | <u>\$1,413,992</u> |

See accompanying notes to the basic financial statements

Herrick Memorial Public Library
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2018

| | General | Building & Repair Fund | Other Governmental Funds | Total Governmental Funds |
|--|------------------|---------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$593,009 | \$750,707 | \$70,276 | \$1,413,992 |
| <i>Total Assets</i> | <u>\$593,009</u> | <u>\$750,707</u> | <u>\$70,276</u> | <u>\$1,413,992</u> |
| Fund Balances | | | | |
| Restricted | \$0 | \$0 | \$70,276 | \$70,276 |
| Committed | 0 | 750,707 | 0 | 750,707 |
| Unassigned (Deficit) | 593,009 | 0 | 0 | 593,009 |
| <i>Total Fund Balances</i> | <u>\$593,009</u> | <u>\$750,707</u> | <u>\$70,276</u> | <u>\$1,413,992</u> |

See accompanying notes to the basic financial statements

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

| | General | Building & Repair Fund | Other Governmental Funds | Total Governmental Funds |
|--|------------------|---------------------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Property and Other Local Taxes | \$276,891 | \$0 | \$0 | \$276,891 |
| Public Library | 294,580 | 0 | 0 | 294,580 |
| Intergovernmental | 25,115 | 0 | 0 | 25,115 |
| Patron Fines and Fees | 4,960 | 0 | 0 | 4,960 |
| Services Provided to Other Entities | 2,224 | 0 | 0 | 2,224 |
| Contributions, Gifts and Donations | 47,120 | 0 | 1,585 | 48,705 |
| Earnings on Investments | 2,181 | 7,350 | 137 | 9,668 |
| Miscellaneous | 2,672 | 0 | 0 | 2,672 |
| <i>Total Receipts</i> | <u>655,743</u> | <u>7,350</u> | <u>1,722</u> | <u>664,815</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 308,944 | 0 | 10,389 | 319,333 |
| Collection Development and Processing | 70,741 | 0 | 4,524 | 75,265 |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 55,406 | 22,368 | 0 | 77,774 |
| Information Services | 5,438 | 0 | 0 | 5,438 |
| Business Administration | 50,504 | 0 | 0 | 50,504 |
| Capital Outlay | 12,593 | 3,250 | 0 | 15,843 |
| <i>Total Disbursements</i> | <u>503,626</u> | <u>25,618</u> | <u>14,913</u> | <u>544,157</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>152,117</u> | <u>(18,268)</u> | <u>(13,191)</u> | <u>120,658</u> |
| Other Financing Sources (Uses) | | | | |
| Other Financing Uses | (8,224) | 0 | 0 | (8,224) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(8,224)</u> | <u>0</u> | <u>0</u> | <u>(8,224)</u> |
| <i>Net Change in Fund Balances</i> | 143,893 | (18,268) | (13,191) | 112,434 |
| <i>Fund Balances Beginning of Year (restated)</i> | <u>449,116</u> | <u>768,975</u> | <u>83,467</u> | <u>1,301,558</u> |
| <i>Fund Balances End of Year</i> | <u>\$593,009</u> | <u>\$750,707</u> | <u>\$70,276</u> | <u>\$1,413,992</u> |

See accompanying notes to the basic financial statements

Herrick Memorial Public Library
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 | | Actual | (Optional) Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|-----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$269,313 | \$273,649 | \$276,891 | \$3,242 |
| Public Library | 283,941 | 291,952 | 294,580 | 2,628 |
| Intergovernmental | 20,437 | 22,137 | 25,115 | 2,978 |
| Patron Fines and Fees | 8,000 | 8,000 | 4,960 | (3,040) |
| Services Provided to Other Entities | 0 | 0 | 2,224 | 2,224 |
| Contributions, Gifts and Donations | 6,500 | 53,420 | 47,120 | (6,300) |
| Earnings on Investments | 500 | 500 | 2,181 | 1,681 |
| Miscellaneous | 600 | 600 | 2,672 | 2,072 |
| <i>Total Receipts</i> | 589,291 | 650,258 | 655,743 | 5,485 |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 329,346 | 339,324 | 304,345 | 34,979 |
| Collection Development and Processing | 81,445 | 81,645 | 76,164 | 5,481 |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 40,600 | 61,000 | 56,070 | 4,930 |
| Information Services | 14,625 | 9,725 | 5,438 | 4,287 |
| Business Administration | 60,463 | 59,200 | 50,666 | 8,534 |
| Capital Outlay | 5,000 | 14,453 | 12,593 | 1,860 |
| <i>Total Disbursements</i> | 531,479 | 565,347 | 505,276 | 60,071 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 57,812 | 84,911 | 150,467 | 65,556 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (6,413) | (6,639) | (6,639) | 0 |
| Other Financing Uses | (7,202) | (8,982) | (8,330) | 652 |
| <i>Total Other Financing Sources (Uses)</i> | (13,615) | (15,621) | (14,969) | 652 |
| <i>Net Change in Fund Balance</i> | 44,197 | 69,290 | 135,498 | 66,208 |
| <i>Unencumbered Fund Balance Beginning of Year</i> | 439,171 | 439,171 | 439,171 | 0 |
| Prior Year Encumbrances Appropriated | 6,320 | 6,320 | 6,320 | 0 |
| <i>Unencumbered Fund Balance End of Year</i> | \$489,688 | \$514,781 | \$580,989 | \$66,208 |

See accompanying notes to the basic financial statements

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Description of the Library and Reporting Entity

The Herrick Memorial Public Library (the Library), Lorain County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board of Trustees of Wellington Township appoints a three-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with administration of the day-to-day operations of the Library being responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

Under the provisions of Statement No. 61 of the Governmental Accounting Standards Board, “The Financial Reporting Entity, Omnibus an amendment of GASB Statements No. 14 and No. 34” the Library is considered to be a jointly governed organization of Wellington Township.

Component Units

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Friends of Herrick Memorial Public Library is a not-for-profit organization established under section 501(c) (3) of the Internal Revenue Code with a self-appointing board. The Friends organization was developed by community members who support the Library through fund-raising activities. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Library received \$ 6,639 in financial contributions from the Friends during the period of January 1, 2018 through December 31, 2018. The Friends Treasurer's Report (unaudited) can be obtained from Susan Alspach Treasurer at 101 Willard Memorial Square, Wellington, OH 44090. 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.

Herrick Memorial Public Library

Lorain County

Notes to the Financial Statements

For the Year Ended December 31, 2018

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 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. The Library had no fiduciary funds. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Library had no business-type activities.

The statement of net position presents the equity in pooled cash and cash equivalents 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 activity 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.

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies – (Continued)

Fund Accounting

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

Governmental Funds 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 committed 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.

Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. 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, 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.

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies – (Continued)

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 Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

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

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, the Library invested in STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is 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 transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies – (Continued)

There were no interest receipts credited to the General Fund during 2018 which were 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. The Library had no restricted assets.

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.

Inventories resulting from cash transactions are presented at cost on a first-in, first-out basis and are reported as disbursements when used. Prepaid items are reported as disbursements when consumed.

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 7 and 8, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Long-Term Obligations

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. The Library had no long-term obligations.

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 materials.

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies – (Continued)

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

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.

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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(s) between the budgetary basis and the cash basis are as follows:

1. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance.
2. Fund reclassification because of GASB 54.

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

| | General |
|-------------------------------|-----------|
| Cash Basis | \$143,893 |
| GASB 54 Fund Reclassification | (1,038) |
| Encumbrances | (7,357) |
| Budget Basis | \$135,498 |

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 public monies deposited in the financial institution.

Herrick Memorial Public Library

Lorain County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 4 – Deposits and Investments - (Continued)

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. 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 investments to the Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits and Investments - (Continued)

Investments

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

| | Measurement Value | Maturity |
|-----------------|----------------------|-----------|
| STAR Ohio | \$721,081 | 44.9 Days |
| Total Portfolio | \$721,081 | |

| | Measurement Amount | Less than 1 |
|-----------------|-----------------------|----------------|
| STAR Ohio | \$721,081 | \$721,081 |
| Total Portfolio | \$721,081 | \$721,081 |

Interest Rate Risk

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

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 on nationally recognized standard rating service.

Concentration of Credit Risk

The Library places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2018:

| <u>Investment Issuer</u> | <u>Percentage of Investments</u> |
|--------------------------|----------------------------------|
| STAR Ohio | 100% |

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Grants in Aid and Property Taxes

Grants in Aid

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

Property Taxes

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

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 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 semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 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, was \$1.25 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

| | |
|----------------------------------|-----------------------------|
| Real Property | \$223,508,700 |
| Public Utility Personal Property | <u>19,775,510</u> |
| Total | <u><u>\$243,284,210</u></u> |

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

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. 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 (if material).

The Library manages health and dental coverage for full time employees with a policy thru Medical Mutual of Ohio. Our group has a grand-mothered plan which has been able to delay moving to an Affordable Care Act plan due to the transitional relief period granted by the federal government. This relief period has been extended through Dec. 31, 2020.

Commercial Insurance

During 2018 the Library contracted with several companies for various typed of insurance coverages as follows:

Schlather Ins. Agency: Westfield Insurance Company: Property & Liability
France & Associates: Chubb Insurance Group-Liability Insurance: Officers, Director & Entity

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

Note 7 – Defined Benefit Pension Plan

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plan – (Continued)

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

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

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

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

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

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plan – (Continued)

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

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plan – (Continued)

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$33,717 for the year 2018.

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

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

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

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 – Postemployment Benefits – (Continued)

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.

Note 9 – Contingent Liabilities

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

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Jointly Governed Organizations

Wellington Township

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

Note 11 – 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:

| Fund Balances | General | Building & Repair | Other Governmental Funds | Total |
|-----------------------------|-------------------------|-------------------------|--------------------------------|---------------------------|
| Restricted for | | | | |
| Materials | \$0 | \$0 | \$70,276 | \$70,276 |
| <i>Total Restricted</i> | <u>0</u> | <u>\$0</u> | <u>\$70,276</u> | <u>\$70,276</u> |
| Committed to | | | | |
| Capital Improvements | 0 | \$750,707 | 0 | \$750,707 |
| <i>Total Committed</i> | <u>0</u> | <u>\$750,707</u> | <u>0</u> | <u>750,707</u> |
| Unassigned (Deficit) | <u>\$593,009</u> | <u>\$0</u> | <u>0</u> | <u>\$593,009</u> |
| <i>Total Fund Balances</i> | <u><u>\$593,009</u></u> | <u><u>\$750,707</u></u> | <u><u>\$70,276</u></u> | <u><u>\$1,413,992</u></u> |

Herrick Memorial Public Library
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 12 –Restatement of Fund Balances

The Library restated its beginning fund balances to property reclassify funds in accordance with GASB54.

| Fund | Balance 12/31/2017 | Reclassify GASB54 | Restated Balance 1/1/2018 |
|--|-----------------------|----------------------|---------------------------------|
| General | \$445,491 | \$3,625 | \$449,116 |
| Other Governmental Funds of the Library | \$3,625 | (\$3,625) | \$0 |

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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***

Herrick Memorial Public Library
Lorain County
101 Willard Memorial Square
Wellington, Ohio 44090

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 Herrick Memorial Public Library, Lorain County, Ohio, as of and for the years ended December 31, 2019 and December 31, 2018, and the related notes to the financial statements, which collectively comprise the Herrick Memorial Public Library's basic financial statements and have issued our report thereon dated May 24, 2020, wherein we noted the Herrick Memorial Public Library uses a special purpose framework other than generally accepted accounting principles. Furthermore, as discussed in Note 12 to the financial statements for the year ended December 31, 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods. Finally, as disclosed in Note 12 to the financial statements for the year ended December 31, 2018, the Herrick Memorial Public Library had a restatement of fund balances at December 31, 2017 due to a reclassification of a fund to conform to GASB 54 requirements.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Herrick Memorial Public 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 Herrick Memorial Public 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 a 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 Herrick Memorial Public Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Herrick Memorial Public 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*.

Herrick Memorial Public Library's Response to Finding

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

Purpose of this Report

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



Julian & Grube, Inc.
May 24, 2020

**HERRICK MEMORIAL PUBLIC LIBRARY
LORAIN COUNTY, OHIO**

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

| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS | |
|--|----------|
| Finding Number | 2019-001 |

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions. Presentation of materially correct financial statements and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason. In either case, it is important that control procedures are developed related to the financial statements that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made.

Certain adjustments were made to the financial statements and note disclosures for the years ended December 31, 2019 and 2018 to properly state amounts.

Control procedures not properly developed related to the financial reporting process limit management's ability to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes. Additionally, management will not have the necessary information to make timely and well-informed business decisions.

We recommend Herrick Memorial Public Library implement additional control procedures that enable management to more timely prevent or detect and correct potential misstatements in the financial statements and related notes prior to presenting them to the auditors. A second review of the monthly cash activity and financial statements by someone other than the individual preparing them would be beneficial.

Client Response: The Library will consider having local government entities or an accounting firm specializing in governmental accounting assist with the preparation of the HINKLE filed statements.

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OHIO AUDITOR OF STATE KEITH FABER



HERRICK MEMORIAL PUBLIC LIBRARY

LORAIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/25/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov