

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016



Dave Yost • Auditor of State

Board of Trustees
Lakewood Public Library
15425 Detroit Road
Lakewood, Ohio 44107

We have reviewed the *Independent Auditor's Report* of the Lakewood Public Library, Cuyahoga County, prepared by Julian & Grube, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 22, 2018

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**LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Lakewood Public Library, Cuyahoga County, Ohio, as of and for the years ended December 31, 2017 and December 31, 2016, and the related notes to the financial statements, which collectively comprise the Lakewood 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.C. 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 Lakewood 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 Lakewood Public Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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, its major fund, and the aggregate remaining fund information of the Lakewood Public Library, Cuyahoga County, Ohio, as of December 31, 2017 and December 31, 2016, 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.C.

Accounting Basis

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

Other Matters

Other Information

We audited to opine on the Lakewood Public Library's financial statements that collectively comprise its basic financial statements.

We applied no procedures to the Management's Discussion & Analysis presented on pages 3 - 9 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2018, on our consideration of the Lakewood 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 Lakewood Public Library's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 28, 2018

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2017 and December 31, 2016
Unaudited

This discussion and analysis of the Lakewood Public Library's, Cuyahoga County, (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2017 and December 31, 2016, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2017 are as follows:

Net position of total government activities increased from 2016 by \$93,629 or 1.27 percent. The fund most affected by the increase in cash and cash equivalents was the General Fund which increased by \$84,545 due to conservative management of revenue and disbursements. The Permanent Funds increased as a result of interest earnings of \$9,084.

The Library's general receipts are primarily property taxes and Public Library Fund ("PLF"). These represent 95.6 percent of the total cash received for the General Fund during the year. PLF tax receipts for 2017 remained relatively flat compared to 2016, with only a slight increase of \$7,643.

Key highlights for 2016 are as follows:

Net position of total government activities increased from 2015 by \$109,498 or 1.5 percent. The fund most affected by the increase in cash and cash equivalents was the General Fund which increased by \$95,034 due to conservative management of revenue and disbursements. The Capital Projects Fund decreased by \$591 due to required maintenance on Library artwork. The Permanent Fund increased as a result of donations and interest earnings of \$15,055.

The Library's general receipts are primarily property taxes and Public Library Fund ("PLF"). These represent 96.3 percent of the total cash received for the General Fund during the year. PLF tax receipts for 2016 decreased by \$32,675 compared to 2015 due to reduced funding of the PLF by the State of Ohio Government.

Using the Basic Financial Statements

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

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2017 and December 31, 2016
Unaudited

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2017 and 2016, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

In the statement of net position and the statement of activities, the Library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
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and contracted services, and library materials and information. These services are primarily funded by property taxed and PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

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

Governmental Funds - The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant Governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. In 2017 and 2016 the Library's major governmental funds was the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2017, 2016 and 2015 on a cash basis:

	2017	2016	2015
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,483,191	\$7,389,562	\$7,280,064
Total Assets	\$7,483,191	\$7,389,562	\$7,280,064
Restricted for:			
Capital Projects	12,130	12,130	12,721
Permanent Fund	856,321	847,237	\$832,182
Unrestricted	6,614,740	6,530,195	\$6,435,161
Total Net Position	\$7,483,191	\$7,389,562	\$7,280,064

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2017 and December 31, 2016
Unaudited

Table 2 reflects the changes in net position in 2017, 2016 and 2015.
(Table 2)
Changes in Net

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$100,852	\$109,895	\$123,283
Total Program Receipts	<u>100,852</u>	<u>109,895</u>	<u>123,283</u>
General Receipts:			
Property and Other Local Taxes	1,986,585	1,975,024	1,962,329
Intergovernmental	2,145,697	2,139,862	2,176,509
Gifts and Contributions	25,652	24,652	10,612
Interest	<u>73,032</u>	<u>37,317</u>	<u>21,798</u>
Total General Receipts	<u>4,230,966</u>	<u>4,176,855</u>	<u>4,171,248</u>
Total Receipts	<u>4,331,820</u>	<u>4,286,750</u>	<u>4,294,531</u>
Disbursements:			
Library Services:			
Public Service and Programs	1,372,713	1,336,552	1,288,474
Collection Development and Processing	1,240,738	1,311,915	1,291,813
Support Services:			
Facilities Operation and Maintenance	731,410	714,583	740,523
Information Services	288,005	286,023	261,794
Business Administration	428,325	370,023	350,027
Capital Outlay:	177,000	158,156	124,985
Total Disbursements	<u>4,238,191</u>	<u>4,177,252</u>	<u>4,057,616</u>
Change in Net Position	93,629	109,498	236,915
Net Position, Beginning of Year	<u>7,389,562</u>	<u>7,280,064</u>	<u>7,043,149</u>
Net Position, End of Year	<u>\$7,483,191</u>	<u>\$7,389,562</u>	<u>\$7,280,064</u>

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2017 and December 31, 2016
Unaudited

For 2017, program receipts represent 2.33 percent of total receipts and are primarily comprised of patron fines and fees. General receipts represent 97.67 percent of the Library's total receipts, and of this amount, over 46.9 percent are local taxes. Grants and entitlements not restricted to specific programs make up another 50.7 percent of the Library general receipts.

For 2016, program receipts represent 2.6 percent of total receipts and are primarily comprised of patron fines and fees. General receipts represent 97.4 percent of the Library's total receipts, and of this amount, over 47.2 percent are local taxes. Grants and entitlements not restricted to specific programs make up another 51.2 percent of the Library general receipts.

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

Governmental Activities

If you look at the Statement of Activities on pages 12 and 20, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration and Capital Outlay. The next column of the statement entitled Program Cash Receipts identifies the amounts paid by people who are directly charged for the service. The Net (Disbursements) Receipts and Changes in Net Position column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service which end up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
Library Services:				
Public Service and Programs	\$1,372,713	\$1,278,296	\$1,336,552	\$1,232,947
Collection Development and Processing	1,240,738	1,239,139	1,311,915	1,310,608
Support Services:				
Facilities Operation and Maintenance	731,410	728,824	714,583	709,959
Information Services	288,005	288,005	286,023	286,023
Business Administration	428,325	426,573	370,023	369,664
Capital Outlay	177,000	176,500	158,156	158,156
Total Disbursements	\$4,238,191	\$4,137,337	\$4,177,252	\$4,067,357

The dependence upon general receipts is apparent as over 97.67 and 97.4 percent, respectively, of library services are supported through these receipts.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2017 and December 31, 2016
Unaudited

The Library's Funds

In 2017, total governmental funds had receipts of \$4,331,820 and disbursements of \$4,238,191. The greatest change within governmental funds occurred within the General Fund which increased by 84,545 primarily as a result of conservative management of revenue and disbursements.

In 2016, total governmental funds had receipts of \$4,286,750 and disbursements of \$4,177,252. The greatest change within governmental funds occurred within the General Fund which increased by \$95,034 primarily as a result of conservative management of revenue and disbursements..

General Fund Budgeting Highlights

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

During 2017, the Library submitted one General Fund budget. Disbursements were budgeted at \$4,480,405 (not including contingency of \$134,515). Actual disbursements were 4,238,191 for 2017. Actual receipts were above budgeted receipts. The difference between actual receipts and budgeted receipts was \$65,143. Maintaining actual expenditures below projected levels and having actual receipts come in above budgeted amounts allowed the library to experience a net favorable fund balance variance to budget.

During 2016, the Library submitted one General Fund budget. Disbursements were budgeted at \$4,358,906 (not including contingency of \$130,767). Actual disbursements were \$4,176,659 for 2016. Actual receipts were above budgeted receipts. The difference between actual receipts and budgeted receipts was \$37,748. Maintaining actual expenditures below projected levels and having actual receipts come in above budgeted amounts allowed the library to experience a net favorable fund balance variance to budget.

Current Issues

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

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2017 and December 31, 2016
Unaudited

Contacting the Library's Financial Management

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

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Lakewood Public Library
Cuyahoga County
Statement of Net Position - Cash
Basis
December 31, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,483,191
<i>Total Assets</i>	\$7,483,191
 Net Position	
Restricted for:	
Capital Projects Funds	12,130
Permanent Fund Purpose:	
Nonspendable	856,321
Unrestricted	6,614,740
<i>Total Net Position</i>	\$7,483,191

See accompanying notes to the basic financial statements

Lakewood Public Library
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2017

	<u>Cash</u>	<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Governmental Activities</u>
Governmental Activities			
Library Services:			
Public Service and Programs	\$1,372,713	\$94,417	(\$1,278,296)
Collection Development and Processing	1,240,738	1,597	(1,239,141)
Support Services:			
Facilities Operation and Maintenance	731,410	2,586	(728,824)
Information Services	288,005	0	(288,005)
Business Administration	428,325	1,752	(426,573)
Capital Outlay	<u>177,000</u>	<u>500</u>	<u>(176,500)</u>
<i>Total Governmental Activities</i>	<u>\$4,238,191</u>	<u>\$100,852</u>	<u>(\$4,137,339)</u>
General Receipts			
Property Taxes Levied for General Purposes			\$1,986,585
Grants and Entitlements not Restricted to Specific Programs			2,145,697
Unrestricted Gifts and Contributions			25,654
Interest			<u>73,032</u>
		Total General Receipts	4,230,968
		Change in Net Position	93,629
		<i>Net Position, Beginning of Year</i>	<u>7,389,562</u>
		<i>Net Position, End of Year</i>	<u>\$7,483,191</u>

See accompanying notes to the basic financial statements

Lakewood Public Library
Cuyahoga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2017

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,614,740	\$868,451	\$7,483,191
<i>Total Assets</i>	<i>\$6,614,740</i>	<i>\$868,451</i>	<i>\$7,483,191</i>
Fund Balances			
Restricted		\$868,451	\$868,451
Unassigned	6,614,740		\$6,614,740
<i>Total Fund Balances</i>	<i>\$6,614,740</i>	<i>\$868,451</i>	<i>\$7,483,191</i>

See accompanying notes to the basic financial statements

Lakewood Public Library
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2017*

Total Governmental Fund Balances	<u>7,483,191</u>
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<i>Net Position of Governmental Activities</i>	<u>\$7,483,191</u>
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See accompanying notes to the basic financial statements

**Lakewood Public Library
Cuyahoga County**

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts			
Property and Other Local Taxes	\$1,986,585		\$1,986,585
Intergovernmental	2,145,697		2,145,697
Patron Fines and Fees	90,574		90,574
Contributions, Gifts and Donations	25,652		25,652
Earnings on Investments	63,948	9,084	73,032
Miscellaneous	<u>10,280</u>		<u>10,280</u>
<i>Total Receipts</i>	<u>4,322,736</u>	<u>9,084</u>	<u>4,331,820</u>
Disbursements			
Current:			
Library Services:			
Public Service and Programs	\$1,372,713		\$1,372,713
Collection Development and Processing	1,240,738		1,240,738
Support Services:			
Facilities Operation and Maintenance	731,410		731,410
Information Services	288,005		288,005
Business Administration	428,325		428,325
Capital Outlay	<u>177,000</u>		<u>177,000</u>
<i>Total Disbursements</i>	<u>4,238,191</u>	<u>0</u>	<u>4,238,191</u>
<i>Net Change in Fund Balances</i>	84,545	9,084	93,629
<i>Fund Balances, Beginning of Year</i>	<u>6,530,195</u>	<u>859,367</u>	<u>7,389,562</u>
<i>Fund Balances, End of Year</i>	<u>\$6,614,740</u>	<u>\$868,451</u>	<u>\$7,483,191</u>

See accompanying notes to the basic financial statements

Lakewood Public Library

Cuyahoga County

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017*

Net Changes in Fund Balances -Total Governmental Funds	<u>\$93,629</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$93,629</u>

See accompanying notes to the basic financial statements

Lakewood Public Library
Cuyahoga County
General Fund

*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
For the Year Ended December 31, 2017*

	General Fund Original Budget	General Fund Final Budget	General Fund Actual	Variance with Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,907,949	\$1,907,949	\$1,986,585	\$78,636
Intergovernmental	2,199,644	2,199,644	2,145,697	(53,947)
Patron Fines and Fees	105,000	105,000	90,574	(14,426)
Contributions, Gifts and Donations	10,000	10,000	25,654	15,654
Earnings on Investments	35,000	35,000	63,948	28,948
Miscellaneous	<u>0</u>	<u>0</u>	<u>10,278</u>	<u>10,278</u>
<i>Total Receipts</i>	<u>4,257,593</u>	<u>4,257,593</u>	<u>4,322,736</u>	<u>65,143</u>
Disbursements				
Library Services:				
Public Service and Programs	1,490,898	1,490,898	1,372,713	\$118,185
Collection Development and Processing	1,313,444	1,313,444	1,240,738	72,706
Support Services:				
Facilities Operation and Maintenance	772,523	772,523	731,410	41,113
Information Services	231,000	231,000	288,005	(57,005)
Business Administration	410,540	410,540	428,325	(17,785)
Capital Outlay	<u>262,000</u>	<u>262,000</u>	<u>177,000</u>	<u>85,000</u>
<i>Total Disbursements</i>	4,480,405	4,480,405	4,238,191	242,214
<i>Net Change in Fund Balances</i>	(222,812)	(222,812)	84,545	307,357
<i>Fund Balances, Beginning of Year</i>	<u>6,530,194</u>	<u>6,530,194</u>	<u>6,530,194</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balances, End of Year</i>	<u>\$6,307,382</u>	<u>\$6,307,382</u>	<u>\$6,614,740</u>	<u>\$307,357</u>

See accompanying notes to the basic financial statements

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Lakewood Public Library
Cuyahoga County
Statement of Net Position - Cash
Basis
December 31, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,389,562
<i>Total Assets</i>	\$7,389,562
 Net Position	
Restricted for:	
Capital Projects Funds	12,130
Permanent Fund Purpose:	
Nonspendable	847,237
Unrestricted	6,530,195
<i>Total Net Position</i>	\$7,389,562

See accompanying notes to the basic financial statements

Lakewood Public Library
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

	<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Position</u>
<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Governmental Activities</u>
Governmental Activities		
Library Services:		
Public Service and Programs	\$1,336,552	\$103,605
Collection Development and Processing	1,311,915	1,307
Support Services:		
Facilities Operation and Maintenance	714,583	4,624
Information Services	286,023	0
Business Administration	370,023	359
Capital Outlay	<u>158,156</u>	<u>0</u>
 <i>Total Governmental Activities</i>	 <u>\$4,177,252</u>	 <u>\$109,895</u>
 General Receipts		
Property Taxes Levied for General Purposes		\$1,975,024
Grants and Entitlements not Restricted to Specific Programs		2,139,862
Unrestricted Gifts and Contributions		24,652
Interest		<u>37,317</u>
	Total General Receipts	4,176,855
	Change in Net Position	109,498
	<i>Net Position, Beginning of Year</i>	<u>7,280,064</u>
	<i>Net Position, End of Year</i>	<u>\$7,389,562</u>

See accompanying notes to the basic financial statements

Lakewood Public Library
Cuyahoga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,530,195	\$859,367	\$7,389,562
<i>Total Assets</i>	\$6,530,195	\$859,367	\$7,389,562
Fund Balances			
Restricted		\$859,367	\$859,367
Unassigned	6,530,195		\$6,530,195
<i>Total Fund Balances</i>	\$6,530,195	\$859,367	\$7,389,562

See accompanying notes to the basic financial statements

Lakewood Public Library
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2016*

Total Governmental Fund Balances	<u>7,389,562</u>
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<i>Net Position of Governmental Activities</i>	<u>\$7,389,562</u>
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See accompanying notes to the basic financial statements

**Lakewood Public Library
Cuyahoga County**

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts			
Property and Other Local Taxes	\$1,975,024		\$1,975,024
Intergovernmental	2,139,862		2,139,862
Patron Fines and Fees	101,358		101,358
Contributions, Gifts and Donations	14,552	10,100	24,652
Earnings on Investments	32,362	4,955	37,317
Miscellaneous	<u>8,537</u>		<u>8,537</u>
<i>Total Receipts</i>	<u>4,271,695</u>	<u>15,055</u>	<u>4,286,750</u>
Disbursements			
Current:			
Library Services:			
Public Service and Programs	\$1,336,552		\$1,336,552
Collection Development and Processing	1,311,915		1,311,915
Support Services:			
Facilities Operation and Maintenance	713,992	591	714,583
Information Services	286,023		286,023
Business Administration	370,023		370,023
Capital Outlay	<u>158,156</u>		<u>158,156</u>
<i>Total Disbursements</i>	<u>4,176,661</u>	<u>591</u>	<u>4,177,252</u>
 <i>Net Change in Fund Balances</i>	 95,034	 14,464	 109,498
 <i>Fund Balances, Beginning of Year</i>	 <u>6,435,161</u>	 <u>844,903</u>	 <u>7,280,064</u>
 <i>Fund Balances, End of Year</i>	 <u>\$6,530,195</u>	 <u>\$859,367</u>	 <u>\$7,389,562</u>

See accompanying notes to the basic financial statements

Lakewood Public Library

Cuyahoga County

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016*

Net Changes in Fund Balances - Total Governmental Funds	<u>\$109,498</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$109,498</u>

See accompanying notes to the basic financial statements

Lakewood Public Library
Cuyahoga County
General Fund

*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
For the Year Ended December 31, 2016*

	General Fund Original Budget	General Fund Final Budget	General Fund Actual	Variance with Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,885,941	\$1,885,941	\$1,975,024	\$89,083
Intergovernmental	2,209,503	2,209,503	2,139,862	(69,641)
Patron Fines and Fees	112,500	112,500	101,358	(11,142)
Contributions, Gifts and Donations	4,000	4,000	14,552	10,552
Earnings on Investments	22,000	22,000	32,359	10,359
Miscellaneous	<u>0</u>	<u>0</u>	<u>8,537</u>	<u>8,537</u>
<i>Total Receipts</i>	<u>4,233,944</u>	<u>4,233,944</u>	<u>4,271,692</u>	<u>37,748</u>
Disbursements				
Library Services:				
Public Service and Programs	1,437,910	1,437,910	1,336,552	\$101,358
Collection Development and Processing	1,306,002	1,306,002	1,311,913	(5,911)
Support Services:				
Facilities Operation and Maintenance	775,207	775,207	713,992	61,215
Information Services	180,100	180,100	286,023	(105,923)
Business Administration	377,686	377,686	370,023	7,663
Capital Outlay	<u>282,000</u>	<u>282,000</u>	<u>158,156</u>	<u>123,844</u>
<i>Total Disbursements</i>	4,358,905	4,358,905	4,176,659	182,246
<i>Net Change in Fund Balances</i>	(124,961)	(124,961)	95,033	219,994
<i>Fund Balances, Beginning of Year</i>	<u>6,435,161</u>	<u>6,435,161</u>	<u>6,435,161</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balances, End of Year</i>	<u>\$6,310,200</u>	<u>\$6,310,200</u>	<u>\$6,530,194</u>	<u>\$219,994</u>

See accompanying notes to the basic financial statements

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Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 1 - Description of the Library and Reporting Entity

The Lakewood Public Library was organized as a school district public library in 1916 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Lakewood Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

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

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

The Friends of the Lakewood Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Lakewood Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

B. Fund Accounting

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

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

C. Basis of Accounting

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

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

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

D. Budgetary Process

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

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

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

E. Cash and Cash Equivalents

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 with original maturities of three months or less at the time they are purchased and investments of the cash management pool 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.

During 2017 and 2016, the Library invested in STAR Ohio (the State Treasury Asset Reserve of Ohio), 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 also implemented GASB Statement No. 79 for 2016. The implementation of this GASB pronouncement had no effect on beginning net position/fund balance. 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.

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents - (Continued)

For 2017 and 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to all governmental funds during 2017 amounted to \$73,032 and \$37,317 in 2016.

Investments are reported as assets. Accordingly purchases of investments are not recorded as disbursements, as sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenues), respectively. For presentation on the financial statements, the Library classifies investments of the cash management pool as cash equivalents.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. The library did not have any net cash assets restricted by enabling legislation at December 31, 2017 and 2016, respectively.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Note 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Position

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

In 2017, the government-wide statement of net position reports \$7,483,191 of total net position. In 2016, the government-wide statement of net position reports \$7,389,562 of total net position.

L. Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed, in governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

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

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Note 3 - Change in Accounting Principle

For 2016, the Library has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 required additional note disclosures for the Library.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Library.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Library.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Library.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Library.

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 3 - Change in Accounting Principle (Continued)

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Library.

For 2017, the Library has implemented GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*", GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*", and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*".

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Library.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Library.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the Library.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). In 2017 and 2016, there were no outstanding encumbrances at year-end.

Note 5- Deposits and Investments

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

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

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

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 5- Deposits and Investments (Continued)

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

Interim monies may be deposited or invested in the following securities:

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

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 5 - Deposits and Investments (Continued)

Cash on Hand

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

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

Deposits

At fiscal year end 2017, the carrying amount of the Library's deposits was \$1,214,303 and the bank balance was \$1,255,653. At fiscal year end 2016, the carrying amount of the Library's deposits was \$5,289,766 and the bank balance was \$5,341,987. All of the bank balances are covered by the FDIC.

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

Investments

As of December 31, 2017 and December 31, 2016, the Library had the following investments:

<u>December 31, 2017</u>	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$6,268,568	Less Than One Year
<u>December 31, 2016</u>	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$2,099,476	Less Than One Year

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 5 - Deposits and Investments (Continued)

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

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

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

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Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 6 - Property Taxes and Grants-In-Aid

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Lakewood City School District. Property tax receipts received in 2017 represent the collection of 2016 taxes. Real property taxes received in 2017 were levied after October 1, 2016, on the assessed values as of January 1, 2016, the lien date. Real property tax receipts received in 2016 represent the collection of 2015 taxes. Real property taxes received in 2016 were levied after October 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2017 and 2016 represent the collection of 2015 and 2014 taxes respectively. Public utility real and tangible personal property taxes received in 2016 became a lien on December 31, 2016, were levied after October 1, 2017, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2016 became lien on December 31, 2015, were levied after October 1, 2016, and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Library operations for the year ended December 31, 2017 and 2016, was \$3.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, upon which 2016 and 2015 property tax receipts were based are as follows:

	<u>2017</u>	<u>2016</u>
Real Property	\$884,518,200	\$879,515,540
Public Utility Property	<u>16,851,640</u>	<u>15,963,540</u>
Total	\$901,369,840	\$859,479,080

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 6 - Property Taxes and Grants-In-Aid (Continued)

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the county's prior intangible tax of PLF revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Note 7 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017 and 2016, the Lakewood Public Library has obtained commercial insurance for the following risks:

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

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

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

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

Note 8- Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

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

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 8- Defined Benefit Pension Plan (Continued)

343 (see OPERS CAFR referenced above for additional information):

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
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	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	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

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

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

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

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

	State and Local			
2017 Statutory Maximum Contribution Rates				
Employer	14.0	%		
Employee	10.0	%		
2017 Actual Contribution Rates				
Employer:				
Pension	13.0	%		
Post-employment Health Care Benefits	1.0			
Total Employer	14.0	%		
Employee	10.0	%		

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 8 - Defined Benefit Pension Plan (Continued)

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2017, 2016 and 2015 were \$284,991, \$288,501, and \$286,701, respectively. The full amount has been contributed for 2016, 2015 and 2014.

Note 9-Postemployment Benefits

Plan Description - OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. 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 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2017 was 1.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 9-Postemployment Benefits (Continued)

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$20,357, \$41,214, and \$40,957, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

Note 10 - Debt

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

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

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

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 are presented below:

<u>2017 Fund Balances</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:			
Art Fund	\$0	\$12,130	\$12,130
Edwards Endowment		291,366	291,366
Fisher Endowment		37,641	37,641
Cole Endowment		51,062	51,062
Shoemaker Endowment		175,203	175,203
LeDuke Endowment	<u> </u>	<u>301,049</u>	<u>301,049</u>
<i>Total Restricted</i>	0	868,452	868,452
Unassigned	<u>6,614,739</u>	<u>0</u>	<u>6,614,739</u>
<i>Total Fund Balances</i>	<u>\$6,614,739</u>	<u>\$868,452</u>	<u>\$7,483,191</u>

<u>2016 Fund Balances</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:			
Art Fund	\$0	\$12,130	\$12,130
Edwards Endowment		288,275	288,275
Fisher Endowment		37,242	37,242
Cole Endowment		50,521	50,521
Shoemaker Endowment		173,344	173,344
LeDuke Endowment	<u> </u>	<u>297,855</u>	<u>297,855</u>
<i>Total Restricted</i>	0	859,367	859,367
Unassigned	<u>6,530,195</u>	<u>0</u>	<u>6,530,195</u>
<i>Total Fund Balances</i>	<u>\$6,530,195</u>	<u>\$859,367</u>	<u>\$7,389,562</u>

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

Note 12 - Interfund Transfers

In 2017 and 2016 there were no interfund transfers.

Note 13 - Related Organization

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

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 financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Lakewood Public Library as of and for the years ended December 31, 2017 and December 31, 2016, and the related notes to the financial statements, which collectively comprise the Lakewood Public Library's basic financial statements and have issued our report thereon dated May 28, 2018, wherein we noted the Lakewood Public Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Lakewood 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 Lakewood 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 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 Lakewood 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Trustees
Lakewood Public Library

Compliance and Other Matters

As part of reasonably assuring whether the Lakewood 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*.

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 Lakewood 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 Lakewood Public Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
May 28, 2018



Dave Yost • Auditor of State

LAKESWOOD PUBLIC LIBRARY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 4, 2018