



Dave Yost • Auditor of State

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Southwest Public Library
Franklin County
3359 Park Street
Grove City, Ohio 43123

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Southwest Public Library, Franklin County, Ohio (the Library), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of the Southwest Public Library, Franklin County, Ohio, as of December 31, 2011 and 2010, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the accounting basis Note 2 describes.

As described in Note 11, during 2010 the Southwest Public Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2012, on our consideration of the Government'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Library's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

May 3, 2012

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
UNAUDITED**

This discussion and analysis of Southwest Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2011 and 2010, 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 2011 are as follows:

Net assets of governmental activities increased \$1,572,526 or 99 percent, a significant change from the prior year. The General Fund decreased by \$27,474 and the Capital Projects Fund increased \$1,600,000 from year-end 2010. The slight decrease in the General Fund was the net result of a large inter-fund transfer to the Capital Projects Fund to fund future capital expenditures combined with a large increase in General Fund revenue due to passage of a 1 mill property tax in November 2010 and increased expenditures for employee salaries, employee benefits, supplies, purchased and contracted services, library materials, and capital equipment; also as a result of the levy passed in November 2010. The large increase in the Capital Projects Fund was the result of an inter-fund transfer from the General Fund to fund future capital projects. Net assets increased in spite of a continued drop in receipts from the Public Library Fund from the State of Ohio, as a result of the successful November 2010 levy. General Fund expenditures increased significantly from 2010 to 2011. General Fund Expenditures were \$4,505,241 in 2011, compared to \$3,151,191 in 2010; an increase of \$ 1,354,050. This increase resulted from the restoration of public services that were cut or eliminated in 2009 as a result of significant cuts to the Public Library Fund by the State of Ohio. There were increases in expenditures for personnel, supplies, library materials and furnishings and equipment.

The Library's general receipts in 2011 were primarily from the State of Ohio and a local one mill property tax levy that was approved by voters in November 2010. The Library, along with 250 other public libraries in Ohio, receives a portion of the General Revenue Fund taxes collected by the State of Ohio. These funds are distributed through the Public Library Fund (PLF). These receipts represent 55 percent of the total cash received for governmental activities during the year. The PLF was established to provide libraries with 2.2% of all General Revenue Fund Taxes. The list of taxes included in the PLF is as follows: Auto Sales and Use, Non-Auto Sales and Use, Personal Income, Corporate Franchise, Public Utility, Kilowatt-Hour, Domestic Insurance, Misc. Business and Property, Cigarette, Alcoholic Beverage, Liquor Gallonage, Estate, and Commercial Activity. However, due to ongoing budget difficulties, the Ohio General Assembly reduced the percentage of General Revenue Fund taxes allocated to public libraries to 1.97% in August, 2009. The one mill property tax passed in 2010 represents 37 percent of the total cash received for governmental activities during the year. The State of Ohio reimburses political subdivisions for reductions in property taxes granted to certain property owners. These receipts are classified as Intergovernmental Receipts and represented five percent of the total cash received for governmental activities during the year. The remaining revenue received by the Library comes from fines and fees levied on patrons, interest earned on funds invested, donations to the Library, and other miscellaneous sources.

The number of people employed by the library increased from 69 to 85, as a result of restoration of public services after passage of a one mill property tax levy in November 2010. It is not likely that employment will increase significantly for the foreseeable future.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
UNAUDITED**

Key highlights for 2010 are as follows:

Net assets of governmental activities increased \$308,908 or just under 25 percent, a significant change from the prior year. The General Fund increased by \$308,908 and the Capital Projects Fund was unchanged from year-end 2009. The increase in the General Fund was the result of decreases in expenditures for employee salaries, employee benefits, supplies, purchased and contracted services, library materials, and capital equipment. Net assets increased in spite of a continued drop in receipts from the Public Library Fund from the State of Ohio. Significant cuts in all areas of operating expenditures yielded a significantly lower overall expenditure level. These cuts were carried forward from 2009 when the State of Ohio substantially cut the amount given to Ohio public libraries. The library's management believed that additional cuts from the state were likely in 2010 and that the significant cuts to library services should stay in place during 2010. Those anticipated cuts never materialized and the result was a significant increase in the library's net assets during 2010.

The Library's general receipts in 2010 were primarily from the State of Ohio. The Library, along with 250 other public libraries in Ohio, receives a portion of the General Revenue Fund taxes collected by the State of Ohio. These funds are distributed through the Public Library Fund (PLF). These receipts represent 91 percent of the total cash received for governmental activities during the year. The PLF was established to provide libraries with 2.2% of all General Revenue Fund Taxes. The list of taxes included in the PLF is as follows: Auto Sales and Use, Non-Auto Sales and Use, Personal Income, Corporate Franchise, Public Utility, Kilowatt-Hour, Domestic Insurance, Misc. Business and Property, Cigarette, Alcoholic Beverage, Liquor Gallonage, Estate, and Commercial Activity. However, due to ongoing budget difficulties, the Ohio General Assembly reduced the percentage of General Revenue Fund taxes allocated to public libraries to 1.97% in August, 2009. The remaining revenue received by the Library comes from fines and fees levied on patrons, interest earned on funds invested, donations to the Library, and other miscellaneous sources. The Library historically has had no local property tax until the taxpayers approved a one mill operating levy for a duration of ten years in November 2010. The Library had previously asked voters to approve a property tax seven times since 1986, but without success.

The number of people employed by the library increased slightly from 68 to 69, as a result of the budget cuts initiated in 2009. It is likely that employment will increase significantly for the foreseeable future as the library restores services cut in 2009 as a result of the passage of the property tax levy in November 2010.

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.

Report Components

The Statement of Net Assets 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.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
UNAUDITED**

The notes to the financial statements are an integral part of the library-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 Assets and the Statement of Activities reflect how the Library did financially during 2011 and 2010, within the limitations of cash basis accounting. The Statement of Net Assets 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, one 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 factors as well such as the Library's recent diversification of its revenue sources with the passage of the property tax levy in November 2010 and the condition of the Library's capital assets and infrastructure.

The Statement of Net Assets and the Statement of Activities are comprised of governmental activities only.

Governmental Activities. The Library's basic services are reported here, including personnel required to conduct programming and assist patrons, purchase of library materials, and the acquisition of goods and services required to provide basic library service to patrons. Receipts from the PLF and a one mill property tax levy in 2011 financed most of these activities in 2011 and 2010. Services provided through governmental activities are not necessarily paid for by the people receiving them.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
UNAUDITED**

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. The funds of the Library are all classified as governmental.

Governmental Funds – All of the Library's activities are reported in 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 Library's only major governmental funds are the General Fund and the Capital Projects Fund. The programs reported in governmental funds are identical to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2011 compared to 2010 and 2010 compared to 2009 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		
	2011	2010	2009
Assets			
Cash and Cash Equivalents	<u>\$3,162,519</u>	<u>\$1,589,993</u>	<u>\$1,281,085</u>
Total Assets	<u>\$3,162,519</u>	<u>\$1,589,993</u>	<u>\$1,281,085</u>
	=====	=====	=====
Net Assets			
Unrestricted	<u>3,162,519</u>	<u>1,589,993</u>	<u>1,281,085</u>
Total Net Assets	<u>\$3,162,519</u>	<u>\$1,589,993</u>	<u>\$1,281,085</u>
	=====	=====	=====

As mentioned previously, net assets of governmental activities increased \$1,572,526 or 99 percent during 2011 and increased \$308,908 or just under 25 percent during 2010. The primary factors contributing to the increase in cash balances are as follows:

- Revenue from the PLF increased \$185,211 from 2010 levels and decreased \$201,895 from 2009 levels. Property tax receipts increased \$2,269,420 from 2010 levels. Intergovernmental receipts increased \$274,336 from 2010 levels. Other revenue sources decreased \$108,469 from 2010 levels and increased \$64,091 from 2009 levels.
- Expenditures for governmental activities increased by \$1,354,050 from 2010 levels and decreased by \$490,763 from 2009 levels. This was primarily due to an increase in 2011 and a decrease in 2010, respectively, in expenditures for salaries, employee benefits, supplies, purchased and contracted services, library materials, and capital equipment as mentioned earlier.
- There were no expenditures from the Capital Projects Fund in 2011 or 2010.

**SOUTHWEST PUBLIC LIBRARY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
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Table 2 reflects the changes in net assets in 2011 and 2010.

(Table 2)
Changes in Net Assets

	Governmental Activities 2011	Governmental Activities 2010	Governmental Activities 2009
Receipts:			
Program Receipts:			
Patron Fines and Fees	\$149,942	\$152,772	\$ 170,958
Total Program Receipts	<u>149,942</u>	<u>152,772</u>	<u>170,958</u>
General Receipts:			
Property and Other Local Taxes	2,269,420	0	0
Intergovernmental	274,336	0	0
PLF Receipts	3,319,230	3,134,019	3,335,914
Grants and Donations Not Restricted to Specific Programs	9,760	46,725	38,238
Interest	553	1,065	2,893
Miscellaneous	54,526	125,518	68,086
Total General Receipts	<u>5,927,825</u>	<u>3,307,327</u>	<u>3,445,131</u>
Total Receipts	<u>6,077,767</u>	<u>3,460,099</u>	<u>3,616,089</u>
Cash Disbursements:			
Current:			
Library Services:			
Public Services and Programs	1,594,818	1,189,710	1,820,349
Collection Development and Processing	660,604	252,112	582,029
Support Services:			
Facilities Operation and Maintenance	958,946	771,811	907,371
Information Services	187,791	188,516	190,541
Business Administration	800,920	707,550	121,109
Capital Outlay	302,162	41,492	20,555
Total Disbursements	<u>4,505,241</u>	<u>3,151,191</u>	<u>3,641,954</u>
Increase (Decrease) in Net Assets	1,572,526	308,908	(25,865)
Net Assets, January 1	1,589,993	1,281,085	1,306,950
Net Assets, December 31	<u>\$3,162,519</u>	<u>\$1,589,993</u>	<u>\$1,281,085</u>

Program receipts represent only 2.5 percent of total receipts for 2011 and 4.4 percent for 2010 and are primarily comprised of overdue fines and fees for using photocopiers and printers.

General receipts represent 97.5 percent of the library's total receipts for 2011, and of this amount, 55 percent is from the PLF, 37 percent is from local property taxes and 5 percent is from Intergovernmental receipts. Donations, interest, and miscellaneous expenses make up the balance of the Government's general receipts (3 percent).

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
UNAUDITED**

General receipts represent 95.6 percent of the library's total receipts for 2010, and of this amount, 91 percent is from the PLF. Donations, interest, and miscellaneous expenses make up the balance of the Government's general receipts (9 percent).

Current disbursements for salary and benefits and purchased and contracted services represent the overhead costs of running the library. These include salaries and benefits of staff members required to acquire and circulate library materials, conduct library related programming for children and adults, provide reference and computer services, and to provide logistical, administrative, and operational support for public service activities. Also included in these expenditures is the purchase of supplies required for the operation of the library. Purchased services represent a large percentage of the total expenditures and are comprised of maintenance agreements on buildings and equipment, communications, insurance, property and equipment leases, building and site repair, library materials control, and contracted building security. Disbursements for library materials represent the purchase of books, DVDs, books on CD, electronic databases, music CDs, and electronic books for the use of and checkout by library patrons. Capital expenditures are for permanent improvements and the purchase of major equipment.

If you look at the Statement of Activities on pages 12 and 17, 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 program disbursements for governmental activities are for Library Services – Public Services and Programs, which account for 35 and 38 percent, respectively, of all governmental disbursements, for both 2011 and 2010. The next column of the statement entitled program receipt identifies amounts paid by people who are directly charged for the service by the Library that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by locals. 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)
Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Library Services:						
Public Services and Programs	1,594,818	1,444,876	1,189,710	1,036,938	1,820,349	1,820,349
Collection Development and Processing	660,604	660,604	252,112	252,112	582,029	582,029
Support Services:						
Facilities Operation and Maintenance	958,946	958,946	771,811	771,811	907,371	907,371
Information Services	187,791	187,791	188,516	188,516	190,541	19,583
Business Administration	800,920	800,920	707,550	707,550	121,109	121,109
Capital Outlay	302,162	302,162	41,492	41,492	20,555	20,555
Total Expenses	4,505,241	4,355,299	3,151,191	2,998,419	3,641,954	3,470,996

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
UNAUDITED**

The Library's Funds

For 2011, total governmental funds had receipts of \$6,077,767 and disbursements of \$4,505,241. The General Fund decreased by \$27,474 and the Capital Projects Fund increased by \$1,600,000 from 2010. The fund balance of the General Fund decreased as a result of a large inter-fund transfer to the Capital Projects Fund to fund future capital expenditures combined with a large increase in General Fund revenue due to passage of a 1 mill property tax in November 2010 and increased expenditures for employee salaries, employee benefits, supplies, purchased and contracted services, library materials, and capital equipment; also as a result of the levy passed in November 2010. The large increase in the Capital Projects Fund was the result of an inter-fund transfer from the General Fund to fund future capital projects. Net assets increased in spite of a continued drop in receipts from the Public Library as a result of the one mill property tax levy passed in November 2010.

For 2010, total governmental funds had receipts of \$3,460,099 and disbursements of \$3,151,191. The General Fund increased by \$308,908 and the Capital Projects Fund was unchanged from 2009. The fund balance of the General Fund increased as a result of decreased revenues combined with significant decreases in expenditures for employee salaries, employee benefits, supplies, purchased and contracted services, library materials, and capital equipment. The fund balance of the Capital Projects Fund was unchanged from 2009.

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 2011 and 2010, the Library did not amend its General Fund budget. Final General Fund receipts were above original budgeted receipts due to increases in receipts from the PLF as a result of increases in tax collections by the State of Ohio above original projections. The Library did not amend its budget as a result of these changes.

For 2011, final disbursements were budgeted at \$7,057,881 while actual expenditures were \$6,515,769. Since expenditures were significantly below the total amount appropriated, no reduction in appropriations occurred. The Library has kept spending below budgeted amounts as demonstrated by the positive variance between the amount budgeted and the amount expended.

For 2010, final disbursements were budgeted at \$4,545,913 (of which \$1,175,355 was appropriated as a contingency with no plans for being spent) while actual expenditures were \$3,151,191. Since expenditures were significantly below the total amount appropriated, no reduction in appropriations occurred. The Library has kept spending below budgeted amounts as demonstrated by the positive variance between the amount budgeted and the amount expended.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2011, the Library had no outstanding debt.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
UNAUDITED**

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 substantially shrinking funding. Until November, 2010, we relied heavily on the PLF to fund library operations. The passage of a property tax levy provides the library with significant funding flexibility. However, the library must remain vigilant in the control of expenditures in light of continued weak economic conditions in the State of Ohio and the possibility of future reductions in the PLF by the State of Ohio. The future of library funding from the State of Ohio is extremely uncertain and libraries must remain cautious when determining expenditure levels as a result. It is possible that the Ohio General Assembly will reduce library funding further if weakness in tax collections were to persist. It is also likely that property tax collections from the levy passed in November 2010 will decline as a result of the Franklin County Auditor's reappraisal process. In response to these pressures, the Library will maintain stringent cost controls and continuously look for ways to reduce expenses without materially impacting service to library patrons.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Mark M. Shaw, Director/Fiscal Officer, Southwest Public Library, 3359 Park Street, Grove City, Ohio 43123.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2011**

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$ 3,162,519</u>
<i>Total Assets</i>	<u><u>\$ 3,162,519</u></u>
Net Assets	
Unrestricted	<u>\$ 3,162,519</u>
<i>Total Net Assets</i>	<u><u>\$ 3,162,519</u></u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	\$ 1,594,818	\$ 149,942	\$ (1,444,876)
Collection Development and Processing	660,604	-	(660,604)
Support Services:			
Facilities Operation and Maintenance	958,946	-	(958,946)
Information Services	187,791	-	(187,791)
Business Administration	800,920	-	(800,920)
Capital Outlay	302,162	-	(302,162)
<i>Total Governmental Activities</i>	<u>\$ 4,505,241</u>	<u>\$ 149,942</u>	<u>(4,355,299)</u>
General Receipts			
Property Taxes Levied for General Purposes			2,269,420
Public Library Fund			3,319,230
Grants and Entitlements Not Restricted			274,336
Unrestricted Gifts and Contributions			9,760
Earnings on Investments			553
Miscellaneous			54,526
Total General Receipts			<u>5,927,825</u>
<i>Change in Net Assets</i>			1,572,526
<i>Net Assets Beginning of Year</i>			<u>1,589,993</u>
<i>Net Assets End of Year</i>			<u>\$ 3,162,519</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Capital Projects Fund	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,522,677	\$ 1,639,842	\$ 3,162,519
<i>Total Assets</i>	<u>\$ 1,522,677</u>	<u>\$ 1,639,842</u>	<u>\$ 3,162,519</u>
Fund Balances			
Committed	\$ 317,799	\$ 1,639,842	\$ 1,957,641
Assigned	92,729	-	92,729
Unassigned	1,112,149	-	1,112,149
<i>Total Fund Balances</i>	<u>\$ 1,522,677</u>	<u>\$ 1,639,842</u>	<u>\$ 3,162,519</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Capital Projects Fund	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$ 2,269,420	\$ -	\$ 2,269,420
Public Library Fund	3,319,230	-	3,319,230
Intergovernmental	274,336	-	274,336
Patron Fines and Fees	149,942	-	149,942
Contributions, Gifts and Donations	9,760	-	9,760
Earnings on Investments	553	-	553
Miscellaneous	54,526	-	54,526
<i>Total Receipts</i>	<u>6,077,767</u>	<u>-</u>	<u>6,077,767</u>
Disbursements			
Current:			
Library Services:			
Public Service and Programs	1,594,818	-	1,594,818
Collection Development and Processing	660,604	-	660,604
Support Services:			
Facilities Operation and Maintenance	958,946	-	958,946
Information Services	187,791	-	187,791
Business Administration	800,920	-	800,920
Capital Outlay	302,162	-	302,162
<i>Total Disbursements</i>	<u>4,505,241</u>	<u>-</u>	<u>4,505,241</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,572,526</u>	<u>-</u>	<u>1,572,526</u>
Other Financing Sources (Uses)			
Transfers In	-	1,600,000	1,600,000
Transfers Out	(1,600,000)	-	(1,600,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,600,000)</u>	<u>1,600,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(27,474)	1,600,000	1,572,526
<i>Fund Balances Beginning of Year</i>	<u>1,550,151</u>	<u>39,842</u>	<u>1,589,993</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,522,677</u>	<u>\$ 1,639,842</u>	<u>\$ 3,162,519</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ -	\$ 2,478,064	\$ 2,269,420	\$ (208,644)
Public Library Fund	3,448,082	3,535,631	3,319,230	(216,401)
Intergovernmental	135,600	282,000	274,336	(7,664)
Patron Fines and Fees	45,200	145,000	149,942	4,942
Contributions, Gifts and Donations	7,000	7,000	9,760	2,760
Earnings on Investments	-	-	553	553
Miscellaneous	38,200	52,613	54,526	1,913
<i>Total receipts</i>	<u>3,674,082</u>	<u>6,500,308</u>	<u>6,077,767</u>	<u>(422,541)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,690,200	1,687,690	1,610,318	77,372
Collection Development and Processing	754,340	797,942	702,664	95,278
Support Services:				
Facilities Operation and Maintenance	869,000	1,074,808	965,778	109,030
Information Services	197,660	205,345	187,791	17,554
Business Administration	859,050	1,017,096	875,175	141,921
Capital Outlay	175,000	675,000	574,043	100,957
<i>Total Disbursements</i>	<u>4,545,250</u>	<u>5,457,881</u>	<u>4,915,769</u>	<u>542,112</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(871,168)</u>	<u>1,042,427</u>	<u>1,161,998</u>	<u>119,571</u>
Other Financing Uses				
Transfers Out	-	(1,600,000)	(1,600,000)	-
<i>Total Other Financing Uses</i>	<u>-</u>	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(871,168)</u>	<u>(557,573)</u>	<u>(438,002)</u>	<u>119,571</u>
<i>Fund Balance Beginning of Year</i>	1,496,196	1,496,196	1,496,196	-
<i>Prior Year Encumbrances Appropriated</i>	<u>53,955</u>	<u>53,955</u>	<u>53,955</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 678,983</u>	<u>\$ 992,578</u>	<u>\$ 1,112,149</u>	<u>\$ 119,571</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2010**

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$ 1,589,993</u>
<i>Total Assets</i>	<u><u>\$ 1,589,993</u></u>
Net Assets	
Unrestricted	<u>\$ 1,589,993</u>
<i>Total Net Assets</i>	<u><u>\$ 1,589,993</u></u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	\$ 1,189,710	\$ 152,772	\$ (1,036,938)
Collection Development and Processing	252,112	-	(252,112)
Support Services:			
Facilities Operation and Maintenance	771,811	-	(771,811)
Information Services	188,516	-	(188,516)
Business Administration	707,550	-	(707,550)
Capital Outlay	41,492	-	(41,492)
<i>Total Governmental Activities</i>	<u>\$ 3,151,191</u>	<u>\$ 152,772</u>	<u>(2,998,419)</u>
General Receipts			
Public Library Fund			3,134,019
Unrestricted Gifts and Contributions			46,725
Earnings on Investments			1,065
Miscellaneous			125,518
Total General Receipts			<u>3,307,327</u>
<i>Change in Net Assets</i>			308,908
<i>Net Assets Beginning of Year</i>			<u>1,281,085</u>
<i>Net Assets End of Year</i>			<u>\$ 1,589,993</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,550,151	\$ 39,842	\$ 1,589,993
<i>Total Assets</i>	<u>\$ 1,550,151</u>	<u>\$ 39,842</u>	<u>\$ 1,589,993</u>
Fund Balances			
Committed	\$ -	\$ 39,842	\$ 39,842
Assigned	53,955	-	53,955
Unassigned	1,496,196	-	1,496,196
<i>Total Fund Balances</i>	<u>\$ 1,550,151</u>	<u>\$ 39,842</u>	<u>\$ 1,589,993</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Capital Projects Fund	Total Governmental Funds
Receipts			
Public Library Fund	\$ 3,134,019	\$ -	\$ 3,134,019
Patron Fines and Fees	152,772	-	152,772
Contributions, Gifts and Donations	46,725	-	46,725
Earnings on Investments	1,065	-	1,065
Miscellaneous	125,518	-	125,518
<i>Total Receipts</i>	<u>3,460,099</u>	<u>-</u>	<u>3,460,099</u>
Disbursements			
Current:			
Library Services:			
Public Service and Programs	1,189,710	-	1,189,710
Collection Development and Processing	252,112	-	252,112
Support Services:			
Facilities Operation and Maintenance	771,811	-	771,811
Information Services	188,516	-	188,516
Business Administration	707,550	-	707,550
Capital Outlay	41,492	-	41,492
<i>Total Disbursements</i>	<u>3,151,191</u>	<u>-</u>	<u>3,151,191</u>
<i>Net Change in Fund Balances</i>	308,908	-	308,908
<i>Fund Balances Beginning of Year</i>	<u>1,241,243</u>	<u>39,842</u>	<u>1,281,085</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,550,151</u>	<u>\$ 39,842</u>	<u>\$ 1,589,993</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Public Library Fund	\$ 3,028,594	\$ 3,106,809	\$ 3,134,019	\$ 27,210
Patron Fines and Fees	151,000	151,000	152,772	1,772
Contributions, Gifts and Donations	30,000	30,000	46,725	16,725
Earnings on Investments	1,000	1,000	1,065	65
Miscellaneous	33,000	33,000	125,518	92,518
<i>Total receipts</i>	<u>3,243,594</u>	<u>3,321,809</u>	<u>3,460,099</u>	<u>138,290</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,230,400	1,219,605	1,202,953	16,652
Collection Development and Processing	199,475	307,374	283,785	23,589
Support Services:				
Facilities Operation and Maintenance	782,300	838,803	777,116	61,687
Information Services	183,000	189,000	188,516	484
Business Administration	717,050	775,776	711,284	64,492
Capital Outlay	30,000	40,000	41,492	(1,492)
<i>Total Disbursements</i>	<u>3,142,225</u>	<u>3,370,558</u>	<u>3,205,146</u>	<u>165,412</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>101,369</u>	<u>(48,749)</u>	<u>254,953</u>	<u>303,702</u>
<i>Fund Balance Beginning of Year</i>	1,224,105	1,224,105	1,224,105	-
<i>Prior Year Encumbrances Appropriated</i>	<u>17,138</u>	<u>17,138</u>	<u>17,138</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,342,612</u>	<u>\$ 1,192,494</u>	<u>\$ 1,496,196</u>	<u>\$ 303,702</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 1 – Description of the Library and Reporting Entity

The Southwest Public Library, Franklin County (the Library) was organized as a school district public library (boundaries are coterminous with South-Western City Schools) in 1923 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the South-Western City Schools 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 Treasurer.

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.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations which are included to ensure the basic financial statements are not misleading. The primary government of the Library consists of all funds, departments, boards, and agencies that are not legally separate from the Library. The Library is not a member of a jointly governed organization or any component units.

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

Although no requirement exists with the Ohio Administrative Code, the Library chose to prepare its financial statements and notes in accordance with the cash basis of accounting as discussed in Note 2B. 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

This basis of accounting is similar to the cash receipts and disbursements basis. The Library recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

As a result 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.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

A. Fund Accounting

The Library uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. 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 financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange 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.

Capital Projects Fund - The Capital Projects Fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

B. Basis of Presentation

The Library's basic financial statements consist of government-wide financial statements, including a Statement of Net Assets 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 Assets and the Statement of Activities display information about the Library as a whole. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the cash balance of the governmental funds 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 object. 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.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

B. Basis of Presentation (Continued)

Government-wide Financial Statements – (Continued)

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.

C. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustees' 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 and major object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees. Contrary to Ohio Admin. Code 117-8-02, the 2010 General Fund Capital Outlay line item had expenditures in excess of appropriations by \$1,492.

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 Treasurer. 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.

D. 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 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 (contra revenue), respectively.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

D. Cash and Cash Equivalents – (Continued)

During 2011 and 2010, investments were limited to STAR Ohio.

STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011 and December 31, 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2011 amounted to \$553, of which \$287 represents interest assigned from other funds. Interest revenue credited to the General Fund during 2010 amounted to \$1,065, of which \$27 represents interest assigned from other funds.

E. 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. There were no restricted assets as of December 31, 2011 or 2010.

F. 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.

G. 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.

H. 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.

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for its 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 postretirement health care benefits.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

J. 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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay are reported at inception. Lease payments are reported when paid. At December 31, 2011 and 2010, the Library had no long-term obligations.

K. Net Assets

Net assets are 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 assets restricted for other purposes include resources restricted for capital projects. The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2011 and 2010, the Library had no restricted net assets.

L. Fund Balance

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

Nonspendable

The Library classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

Restricted

Fund balance is 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

Trustees can commit amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

L. Fund Balance – (Continued)

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

The Library does not have a formal minimum fund balance policy.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$410,528 and \$53,955 for 2011 and 2010, respectively, for the General Fund.

Note 4 - 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.

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.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 4 - Deposits and Investments (Continued)

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) and/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.

At year end 2011 and year end 2010, the Library had \$850 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."

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 4 - Deposits and Investments (Continued)

At year end, December 31, 2011, the Library's bank balance was \$2,201,576. At year end, December 31, 2010, the Library's bank balance was \$636,030. For both years, the entire balance was covered by federal depository insurance (FDIC) and a single collateral pool established by Huntington National Bank. At December 31, 2011, \$1,951,576 of the Library's bank balance of \$2,201,576 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name. At December 31, 2010, \$386,030 of the Library's bank balance of \$636,030 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

The Library has 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, 2011, the Library had the following investments:

Investment Type	<u>Carrying Value</u>
STAR Ohio	<u>\$994,958</u>
2011 Total Investments	<u><u>\$994,958</u></u>

As of December 31, 2010, the Library had the following investments:

Investment Type	<u>Carrying Value</u>
STAR Ohio	<u>\$994,400</u>
2010 Total Investments	<u><u>\$994,400</u></u>

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 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 the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. The Library investment policy also limits security purchases to those that of an overnight repurchase agreement which matures daily. To date, no investments have been purchased with a life greater than one year.

Credit Risk – The investment in STAR Ohio carry a rating of AAAM by Standard and Poor's rating service. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Library's investment policy limits investments to those authorized by State statute.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 4 - Deposits and Investments (Continued)

Concentration of Credit Risk – The Library places no limit on the amount it may invest in any one issuer; however, investments are limited to low risk securities, with the expectation of earning the market rate of return. At December 31, 2011 and 2010, the Library's investments in STAR Ohio, represent 100 percent of the Library's total investments.

Note 5 – Public Library Fund Revenues and Tax Receipts

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.

The Library passed a property tax levy in 2010, effective for 2011. Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Revenue. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

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

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 2011 and 2010, the Library contracted with Auto-Owners and United States Liability Insurance companies to provide insurance coverage for comprehensive property and general liability, auto, commercial property, employer liability, and Directors and Officers Liability.

There were no claims in any of the last three years and there was no significant reduction in coverage from the prior year.

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

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 7 - Defined Benefit Pension Plan

Plan Description - The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the years ended December 31, 2011 and 2010, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Library's contribution rate for pension benefits for the years ended December 31, 2011 and 2010 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations for all plans for the years ended December 31, 2011, 2010, and 2009 were \$270,308, \$205,670, and \$255,137 respectively. The full amount has been contributed for 2011, 2010 and 2009.

Note 8 - Postemployment Benefits

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 - 7377.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 8 - Postemployment Benefits (Continued)

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment 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 postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011 and 2010, local government employers contributed 14 percent of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2011.

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

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2011, 2010, and 2009 were \$13,515, \$10,445, and \$14,033 respectively; 100 percent has been contributed for 2011, 2010 and 2009.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006. January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2011.

Note 9 – Operating Lease

The Library leases the building that houses the Westland Area Library located at 4740 West Broad Street, Columbus, Ohio 43228. The building is part of the Lincoln Village Shopping Center and was owned by Nationwide Development Corporation of Columbus Ohio until September 2009, when it was acquired by Echo Property Development of Pittsburgh, Pennsylvania. The terms of the original lease agreement with Nationwide Development continue to be in effect, however, a modification to that lease agreement went into effect on April 1, 2011. The modification extends the lease agreement another five years and six months. The Library disbursed \$313,944 to pay lease costs for the year ended December 31, 2011 and disbursed \$283,686 to pay lease costs for the year ended December 31, 2010.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 9 – Operating Lease (Continued)

Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$220,810
2013	220,810
2014	220,810
2015	220,810
2016	220,810
2017	220,810
2018	220,810
2019	220,810
2020	220,810
2021	220,810
Total	<u><u>\$2,208,100</u></u>

Part of the Library's lease payment is for property taxes incurred by Echo Property Development and reimbursement of common area maintenance charges for the shopping center. Future additional property taxes will cause the amounts listed above to increase by the amount of the property tax attributable to the 4740 West Broad Street location. It is not possible to predict when these increases may occur or what the amounts of the increases will be. Common area maintenance charges fluctuate based on the maintenance needs of the shopping center. It is not possible to predict what these charges will be in the future.

Note 10 – Contingent Liabilities

The Library was not a party to any lawsuits or any litigation as of December 31, 2011 or 2010, and is not currently a defendant in any legal case.

Note 11 – Changes in Accounting Principle

The Library has implemented Government Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The implementation of this statement resulted in changes to the Library's statement presentation, relating to fund balance classifications, as described above in Note 2L.

Note 12 – Transfers

During 2011 the Library transferred \$1,600,000 from the General Fund to the Capital Projects Fund. This transfer was made to fund future capital expenditures.



Dave Yost • Auditor of State

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

Southwest Public Library
Franklin County
3359 Park Street
Grove City, Ohio 43123

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Southwest Public Library, Franklin County, Ohio (the Library) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 3, 2012, wherein we noted the Library adopted the provisions of Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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*.

Southwest Public Library
Franklin County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
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We intend this report solely for the information and use of management, the Board of Trustees, the audit committee, and others within the Library. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 3, 2012



Dave Yost • Auditor of State

SOUTHWEST PUBLIC LIBRARY

FRANKLIN 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
MAY 29, 2012**