



Dave Yost • Auditor of State

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities and each major fund of Southwest Public Library, Franklin County, Ohio (the Library), as of and for the year ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 and each major fund, of Southwest Public Library, Franklin County, Ohio, as of December 31, 2015 and 2014, 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.

Accounting Basis

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

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

We applied no procedures to the Management's Discussion & Analysis, as listed in the table of contents. 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 August 30, 2016 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 30, 2016

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 and 2014, 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 2015 are as follows:

Net Position of governmental activities decreased \$ 354,263 or 8.27 percent, a significant change from the prior year. The General Fund increased by \$ 195,911 and the Capital Projects Fund decreased by \$ 550,174 from year-end 2014. The increase in the General Fund was the net result of revenue in excess of General Fund expenditures. The decrease to the Capital Projects Fund resulted from a transfer-in of \$600,000 from the General Fund to the Capital Projects Fund to fund future capital expenditures which was more than offset by expenditures of \$1,150,174. The largest component expenditure from the Capital Projects Fund was a payment of \$1,000,000 to the City of Grove City which is part of an agreement with Grove City for the lease/purchase of a new library building in Grove City. General Fund expenditures increased slightly from 2014 to 2015, caused by increases in expenditures for Public Services, Collection Development, Facilities Operation and Information Services which were largely offset by a decrease in Business Administration expenditures. General Fund Expenditures were \$5,387,197 in 2015, compared to \$5,338,218 in 2014; an increase of \$ 48,979.

The Library's general receipts in 2015 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 57.67 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 and they reduced it further in 2013 to 1.66 %. The General Assembly raised the percentage of General Revenue Fund taxes allocated to public libraries to 1.7%, effective July 1, 2015. The one mill property tax passed in 2010 represents 34.66 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 4.08 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 decreased from 86 to 85. 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, 2015 AND 2014**

Key highlights for 2014 are as follows:

Net Position of governmental activities increased \$235,585 or 5.82 percent, a significant change from the prior year. The General Fund increased by \$430,806 and the Capital Projects Fund decreased by \$195,221 from the previous year. The increase in the General Fund came in spite of the fact that revenue declined due to a decrease in receipts from the Public Library Fund as well as a decline in donations. Overall revenue in 2014 declined \$114,467 from 2013. General Fund expenditures increased \$446,017 from 2013, primarily as the result of increases in expenditures for Public Services and Collection Development. The decrease in the Capital Projects Fund resulted from expenditures for the library's Information Technology infrastructure.

The Library's general receipts in 2014 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 54.54 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 and they reduced it further in 2013 to 1.66 %. The one mill property tax passed in 2010 represents 37.6 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 4.67 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 85 to 86. It is not likely that employment will increase significantly for the foreseeable future.

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 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 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.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 2015 and 2014, 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, 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 Position 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 financed most of these activities in 2015 and 2014. Services 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. The funds of the Library are all classified as governmental.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 Position for 2015 compared to 2014 and 2014 compared to 2013 on a cash basis:

(Table 1)
Net Position

<u>Governmental Activities</u>		
2015	2014	2013

Assets	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents	\$3,926,734	\$4,280,997	\$4,045,412
Total Assets	\$3,926,734	\$4,280,997	\$4,045,412
	=====	=====	=====
 Net Position			
Unrestricted	\$ 3,926,734	\$4,280,997	\$4,045,412
Total Net Position	\$ 3,926,734	\$4,280,997	\$4,045,412
	=====	=====	=====

As mentioned previously, Net Position of governmental activities decreased \$354,263 or 8.27 percent during 2015 and increased \$235,585 or 5.82% percent during 2014. The primary factors contributing to the increase in cash balances are as follows:

- Revenue in 2015 from the PLF increased \$419,412 from 2014 levels and revenue in 2014 from the PLF decreased \$61,997 from 2013 levels. Property tax receipts in 2015 decreased \$26,048 from 2014 levels and property tax receipts in 2014 increased \$41,715 from 2013 levels. Intergovernmental receipts decreased \$17,225 from 2014 levels. Revenue from 2014 intergovernmental receipts increased \$17,631 from 2013 levels. Other revenue sources increased \$37,945 in 2015 from 2014 levels and decreased \$111,816 in 2014 from 2013 levels.
- Expenditures for governmental activities increased in 2015 by \$1,003,932 from 2014 levels and increased in 2014 by \$288,477 from 2013 levels. This was primarily due to an increase in 2015 and an increase in 2013, respectively, in expenditures for salaries, employee benefits, supplies, purchased and contracted services, library materials, and capital equipment as mentioned earlier.
- Expenditures from the Capital Projects Fund were \$1,150,174 in 2015 and \$195,221 in 2014.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Table 2 reflects the changes in Net Position in 2015 and 2014.

(Table 2)
Changes in Net Position

	Activities 2015	Activities 2014	Activities 2013
Receipts:			
Program Receipts:			
Patron Fines and Fees	\$113,188	\$109,414	\$ 121,480
Total Program Receipts	<u>113,188</u>	<u>109,414</u>	<u>121,480</u>
General Receipts:			
Property and Other Local Taxes	2,143,094	2,169,142	2,127,427
Intergovernmental	252,427	269,652	252,021
PLF Receipts	3,566,246	3,146,834	3,208,831
Grants and Donations Not Restricted to Specific Programs	7,775	8,829	104,994
Interest	1,043	335	425
Miscellaneous	99,335	64,818	68,313
Total General Receipts	<u>6,069,920</u>	<u>5,659,610</u>	<u>5,762,011</u>
Total Receipts	<u><u>6,183,108</u></u>	<u><u>5,769,024</u></u>	<u><u>5,883,491</u></u>
Cash Disbursements:			
Current:			
Library Services:			
Public Services and Programs	2,320,472	2,297,566	2,072,082
Collection Development and Processing	844,674	811,434	692,545
Support Services:			
Facilities Operation and Maintenance	1,178,182	1,120,344	1,072,921
Information Services	343,336	315,896	301,913
Business Administration	608,070	711,448	651,558
Capital Outlay	1,242,637	276,751	453,943
Total Disbursements	<u>6,537,371</u>	<u>5,533,439</u>	<u>5,244,962</u>
Increase (Decrease) in Net Position	(354,263)	235,585	638,529
Net Position, January 1	<u>4,280,997</u>	<u>4,045,412</u>	<u>3,406,883</u>
Net Position, December 31	<u><u>\$3,926,734</u></u>	<u><u>\$4,280,997</u></u>	<u><u>\$4,045,412</u></u>

Program receipts represent only 1.83 percent of total receipts for 2015 and 1.9 percent for 2014 and are primarily comprised of overdue fines and fees for using photocopiers and printers.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

General receipts represent 98.17 percent of the library's total receipts for 2015, and of this amount, 58.75 percent is from the PLF, 35.31 percent is from local property taxes and 4.16 percent is from Intergovernmental receipts. Donations, interest, and miscellaneous expenses make up the balance of the Government's general receipts (1.78 percent).

General receipts represent 98.1 percent of the library's total receipts for 2014, and of this amount, 55.6 percent is from the PLF, 38.33 percent is from local property taxes and 4.76 percent is from Intergovernmental receipts. Donations, interest, and miscellaneous expenses make up the balance of the Government's general receipts (1.31 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 35.5 and 41.5 percent, respectively, of all governmental disbursements, for both 2015 and 2014. 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.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(Table 3)
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Library Services:						
Public Services and Programs	\$2,320,472	\$2,207,284	\$2,297,566	\$2,188,152	\$2,072,082	\$1,950,602
Collection Development and Processing	844,674	844,674	811,434	811,434	692,545	692,545
Support Services:						
Facilities Operation and Maintenance	1,178,182	1,178,182	1,120,344	1,120,344	1,072,921	1,072,921
Information Services	343,336	343,336	315,896	315,896	301,913	301,913
Business Administration	608,070	608,070	711,448	711,448	651,558	651,558
Capital Outlay	1,242,637	1,242,637	276,751	276,751	453,943	453,943
Total Expenses	\$6,537,371	\$6,424,183	\$5,533,439	\$5,424,025	\$5,244,962	\$5,123,482

The Library's Funds

For 2015, total governmental funds had receipts of \$6,183,108 and disbursements of \$6,537,371. The General Fund increased by \$195,911 and the Capital Projects Fund decreased by 550,174 \$ from 2014. The fund balance of the General Fund increased as a result of revenue exceeding expenditure for the year. The Capital Projects Funds decreased as a result of a large inter-fund transfer from the General Fund to fund future capital projects which was more than offset by expenditures from the Fund.

For 2014, total governmental funds had receipts of \$5,769,024 and disbursements of \$5,533,439. The General Fund increased by \$430,806 and the Capital Projects Fund decreased by \$195,221. The fund balance of the General Fund increased as a result of revenues exceeding expenditures for the year. The fund balance of the Capital Projects Fund decreased as a result of not having an inter-fund transfer from the General Fund and having increased expenditures.

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 2015 and 2014, The Library passed temporary appropriations and a final appropriations measure. The temporary appropriations are set in December of the prior year based on the Board's best estimates. The final appropriations are set during the fiscal year when the Board has a better understanding of its fiscal needs for the year. There were no amendments to the budget after the final appropriations were passed. For 2015, actual General Fund receipts were above final budgeted receipts due to an increase in expected receipts from the PLF and Miscellaneous Income which offset decreases in projected receipts from property tax collections, intergovernmental receipts and patron fines and fees. For 2014, General Fund receipts were slightly above budgeted receipts.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

For 2015, final disbursements for the General Fund were budgeted at \$7,539,162 while actual expenditures were \$5,437,073. 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 2014, final disbursements for the General Fund were budgeted at \$7,518,406 while actual expenditures were \$5,386,465. 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, 2015 and 2014, the Library had no outstanding debt.

Current Issues

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited funding. Until November, 2010, the Library 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 possible future weak economic conditions in the State of Ohio and the possibility of future reductions in the PLF by the State of Ohio and declines in property tax collections resulting from declining property valuations. The future of library funding from the State of Ohio is 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 for political or economic reasons. 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 Library'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 POSITION - CASH BASIS
DECEMBER 31, 2015**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,926,734
<i>Total Assets</i>	<u>\$ 3,926,734</u>
Net Position	
Unrestricted	<u>3,926,734</u>
<i>Total Net Position</i>	<u>\$ 3,926,734</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, 2015**

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
Governmental Activities			
Current:			
Library Services:			
Public Services and Programs	\$ 2,320,472	\$ 113,188	\$ (2,207,284)
Collection Development and Processing	844,674	-	(844,674)
Support Services:			
Facilities Operation and Maintenance	1,178,182	-	(1,178,182)
Information Services	343,336	-	(343,336)
Business Administration	608,070	-	(608,070)
Capital Outlay	1,242,637	-	(1,242,637)
<i>Total Governmental Activities</i>	\$ 6,537,371	\$ 113,188	(6,424,183)
		General Receipts:	
		Property Taxes Levied for General Purposes	2,143,094
		Public Library Fund	3,566,246
		Intergovernmental	252,427
		Unrestricted Gifts and Contributions	7,775
		Earnings on Investments	1,043
		Miscellaneous	99,335
		<i>Total General Receipts</i>	6,069,920
		Change in Net Position	(354,263)
		<i>Net Position Beginning of Year</i>	4,280,997
		<i>Net Position End of Year</i>	\$ 3,926,734

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,379,090	\$ 1,547,644	\$ 3,926,734
<i>Total Assets</i>	<u>\$ 2,379,090</u>	<u>\$ 1,547,644</u>	<u>\$ 3,926,734</u>
Fund Balances			
Committed	\$ -	\$ 1,000,000	\$ 1,000,000
Assigned	49,877	547,644	597,521
Unassigned (Deficit)	<u>2,329,213</u>	<u>-</u>	<u>2,329,213</u>
<i>Total Fund Balances</i>	<u>\$ 2,379,090</u>	<u>\$ 1,547,644</u>	<u>\$ 3,926,734</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Capital Projects Fund	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$ 2,143,094	\$ -	\$ 2,143,094
Public Library	3,566,246	-	3,566,246
Intergovernmental	252,427	-	252,427
Patron Fines and Fees	113,188	-	113,188
Contributions, Gifts and Donations	7,775	-	7,775
Earnings on Investments	1,043	-	1,043
Miscellaneous	99,335	-	99,335
<i>Total Receipts</i>	<u>6,183,108</u>	<u>-</u>	<u>6,183,108</u>
Disbursements			
Current:			
Library Services:			
Public Services and Programs	2,320,472	-	2,320,472
Collection Development and Processing	844,674	-	844,674
Support Services:			
Facilities Operation and Maintenance	1,178,182	-	1,178,182
Information Services	343,336	-	343,336
Business Administration	608,070	-	608,070
Capital Outlay	92,463	1,150,174	1,242,637
<i>Total Disbursements</i>	<u>5,387,197</u>	<u>1,150,174</u>	<u>6,537,371</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>795,911</u>	<u>(1,150,174)</u>	<u>(354,263)</u>
Other Financing Sources (Uses)			
Transfers In	-	600,000	600,000
Transfers Out	(600,000)	-	(600,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(600,000)</u>	<u>600,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	195,911	(550,174)	(354,263)
<i>Fund Balances Beginning of Year</i>	<u>2,183,179</u>	<u>2,097,818</u>	<u>4,280,997</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,379,090</u>	<u>\$ 1,547,644</u>	<u>\$ 3,926,734</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, 2015**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 2,187,286	\$ 2,187,286	\$ 2,143,094	\$ (44,192)
Public Library	3,515,353	3,515,353	3,566,246	50,893
Intergovernmental	261,004	261,004	252,427	(8,577)
Patron Fines and Fees	129,000	129,000	113,188	(15,812)
Contributions, Gifts and Donations	10,000	10,000	7,775	(2,225)
Earnings on Investments	500	500	1,043	543
Miscellaneous	56,500	56,500	99,335	42,835
<i>Total Receipts</i>	<u>6,159,643</u>	<u>6,159,643</u>	<u>6,183,108</u>	<u>23,465</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	2,246,445	2,360,247	2,320,877	39,370
Collection Development and Processing	976,892	1,013,411	891,061	122,350
Support Services:				
Facilities Operation and Maintenance	1,242,422	1,391,846	1,180,562	211,284
Information Services	389,094	364,448	343,336	21,112
Business Administration	709,344	2,279,210	608,575	1,670,635
Capital Outlay	130,000	130,000	92,663	37,337
<i>Total Disbursements</i>	<u>5,694,197</u>	<u>7,539,162</u>	<u>5,437,074</u>	<u>2,102,088</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>465,446</u>	<u>(1,379,519)</u>	<u>746,034</u>	<u>2,125,553</u>
Other Financing Uses				
Transfers Out	-	(600,000)	(600,000)	-
<i>Total Other Financing Uses</i>	<u>-</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	465,446	(1,979,519)	146,034	2,125,553
<i>Fund Balance Beginning of Year</i>	2,134,932	2,134,932	2,134,932	-
Prior Year Encumbrances Appropriated	48,247	48,247	48,247	-
<i>Fund Balance End of Year</i>	<u>\$ 2,648,625</u>	<u>\$ 203,660</u>	<u>\$ 2,329,213</u>	<u>\$ 2,125,553</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2014**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 4,280,997</u>
<i>Total Assets</i>	<u><u>\$ 4,280,997</u></u>
Net Position	
Unrestricted	<u>4,280,997</u>
<i>Total Net Position</i>	<u><u>\$ 4,280,997</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, 2014**

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
Governmental Activities			
Current:			
Library Services:			
Public Services and Programs	\$ 2,297,566	\$ 109,414	\$ (2,188,152)
Collection Development and Processing	811,434		(811,434)
Support Services:			
Facilities Operation and Maintenance	1,120,344		(1,120,344)
Information Services	315,896		(315,896)
Business Administration	711,448		(711,448)
Capital Outlay	276,751		(276,751)
Total Governmental Activities	5,533,439	109,414	(5,424,025)
General Receipts:			
			2,169,142
			3,146,834
			269,652
			8,829
			335
			64,818
		<i>Total General Receipts</i>	5,659,610
		Change in Net Position	235,585
		<i>Net Position Beginning of Year</i>	4,045,412
		<i>Net Position End of Year</i>	\$ 4,280,997

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,183,179	\$ 2,097,818	\$ 4,280,997
<i>Total Assets</i>	<u>\$ 2,183,179</u>	<u>\$ 2,097,818</u>	<u>\$ 4,280,997</u>
Fund Balances			
Committed	\$ -	\$ 14,894	\$ 14,894
Assigned	48,247	2,082,924	2,131,171
Unassigned (Deficit)	<u>2,134,932</u>	<u>-</u>	<u>2,134,932</u>
<i>Total Fund Balances</i>	<u>\$ 2,183,179</u>	<u>\$ 2,097,818</u>	<u>\$ 4,280,997</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Capital Projects Fund	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$ 2,169,142	\$ -	\$ 2,169,142
Public Library	3,146,834	-	3,146,834
Intergovernmental	269,652	-	269,652
Patron Fines and Fees	109,414	-	109,414
Contributions, Gifts and Donations	8,829	-	8,829
Earnings on Investments	335	-	335
Miscellaneous	64,818	-	64,818
<i>Total Receipts</i>	<u>5,769,024</u>	<u>-</u>	<u>5,769,024</u>
Disbursements			
Current:			
Library Services:			
Public Services and Programs	2,297,566	-	2,297,566
Collection Development and Processing	811,434	-	811,434
Support Services:			
Facilities Operation and Maintenance	1,120,344	-	1,120,344
Information Services	315,896	-	315,896
Business Administration	711,448	-	711,448
Capital Outlay	81,530	195,221	276,751
<i>Total Disbursements</i>	<u>5,338,218</u>	<u>195,221</u>	<u>5,533,439</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>430,806</u>	<u>(195,221)</u>	<u>235,585</u>
<i>Net Change in Fund Balances</i>	430,806	(195,221)	235,585
<i>Fund Balances Beginning of Year</i>	<u>1,752,373</u>	<u>2,293,039</u>	<u>4,045,412</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,183,179</u>	<u>\$ 2,097,818</u>	<u>\$ 4,280,997</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 - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 2,196,319	\$ 2,196,319	\$ 2,169,142	\$ (27,177)
Public Library	3,115,312	3,115,312	3,146,834	31,522
Intergovernmental	258,402	258,402	269,652	11,250
Patron Fines and Fees	129,000	129,000	109,414	(19,586)
Services Provided to Other Entities				-
Contributions, Gifts and Donations	10,000	10,000	8,829	(1,171)
Earnings on Investments	500	500	335	(165)
Miscellaneous	56,500	56,500	64,818	8,318
<i>Total Receipts</i>	<u>5,766,033</u>	<u>5,766,033</u>	<u>5,769,024</u>	<u>2,991</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	2,197,955	2,314,395	2,298,263	16,132
Collection Development and Processing	935,567	953,344	854,631	98,713
Support Services:				
Facilities Operation and Maintenance	1,215,440	1,277,639	1,123,057	154,582
Information Services	333,779	347,618	315,970	31,648
Business Administration	798,278	2,470,410	713,014	1,757,396
Capital Outlay	130,000	155,000	81,530	73,470
<i>Total Disbursements</i>	<u>5,611,019</u>	<u>7,518,406</u>	<u>5,386,465</u>	<u>2,131,941</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>155,014</u>	<u>(1,752,373)</u>	<u>382,559</u>	<u>2,134,932</u>
<i>Net Change in Fund Balance</i>	155,014	(1,752,373)	382,559	2,134,932
<i>Fund Balance Beginning of Year</i>	1,655,304	1,655,304	1,655,304	-
Prior Year Encumbrances Appropriated	97,069	97,069	97,069	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 1,907,387</u>	<u>\$ -</u>	<u>\$ 2,134,932</u>	<u>\$ 2,134,932</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**

Note 1 – Description of the Library and Reporting Entity

The Southwest Public Libraries (the Library) was organized as a school district public library in 1923 under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees appointed by the South-Western City School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of 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 South-Western City School District.

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

The Friends of Southwest Public Libraries 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. The economic resources received or held by the organization that the Library is entitled to, or has the ability to otherwise access, are not significant to the Library. Therefore, this organization has been excluded from the reporting entity of the library.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this note, the financial statements of the Southwest Public Libraries 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. The most significant of the Library's accounting policies are described below.

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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, and budget versus actual statements.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the Library as a whole. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

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

Fund Accounting

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

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

Capital Projects Fund The Capital Projects Fund accounts for and reports resources committed or assigned by the Board of Library Trustees specifically for major capital and technology improvements.

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the 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.

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

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

Cash and Cash Equivalents

Library records identify the purchase of specific investments by specific funds.

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.

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

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

During 2015 and 2014, 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, 2015 and 2014.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2015 amounted to \$1,043, of which \$411 represents interest assigned from other funds. Interest revenue credited to the General Fund during 2014 amounted to \$335, of which \$164 represents interest assigned from other funds.

Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. There were no restricted assets as of December 31, 2015 and 2014.

Inventory and Prepaid Items

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

Capital Assets

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

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.

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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.

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 a capital outlay expenditure is reported at inception. Lease payments are reported when paid. At December 31, 2015 and 2014, the Library had no long-term obligations.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for 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 position is available. As of December 31, 2015 and 2014, the Library had no restricted net position.

Interfund Transactions

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. As of December 31, 2015 and 2014 there were no extraordinary or special items.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the *modified* cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis) The encumbrances outstanding at year end 2015 (budgetary basis) amounted to \$ 49,877 for the General Fund. The encumbrances outstanding at year end, 2014 amounted to \$48,247 for the General Fund.

Note 4 – Deposits and Investments

Monies held by the Library are classified by State statute into three categories.

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 4 – Deposits and Investments (Continued)

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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 two 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).

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.

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 4 – Deposits and Investments (Continued)

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 clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end 2015 and 2014, the Library had \$850 in undeposited cash on hand which is included as part of "Cash" on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end 2015, \$2,678,407 of the Library's bank balance of \$2,929,407 and at year-end , 2014, \$3,033,713 of the Library's bank balance of \$3,283,713 were 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, 2015 and 2014, the Library had investments of \$997,476 and \$996,434, respectively in STAR Ohio.

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

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 thee market rate of return. At December 31, 2015, the Library's investment in STAR OHIO represents 100 percent of the Library's total investments.

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 5 – Public Library Fund Revenues and Property 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 base on any additional revenue the Library receives.

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 taxes 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 2015 and 2014, 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 Director and Officer's 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.

Note 7 - Defined Benefit Pension Plan

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Library employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While member 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.

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 7 - Defined Benefit Pension Plan (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 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
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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.

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 7 - Defined Benefit Pension Plan (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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

When a 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	Public Safety	Law Enforcement
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %
* This rate is determined by OPERS' Board and has no maximum rate established by ORC.			
** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.			

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the year ended December 31, 2015 was \$344,298 and for the year ended December 31, 2014 was \$354,087. The full amount was contributed for 2015 and 2014.

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 8 - Postemployment Benefits

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented 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.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0 percent from January 1 through June 30, 2015, and 2.0 percent from July 1 through December 31, 2015.

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 health care plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015 was \$6,886 and for the year ended December 31, 2014 was \$7,082.

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

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 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 \$328,760 in 2015 and \$301,859 in 2014 to pay lease costs. Future lease Payments are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$328,760
2017	\$328,760
2018	\$328,760
2019	\$328,760
2020	\$328,760
2021	\$328,760

Total	\$1,972,560

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 amounts 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 – Fund Balances

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

2015			
Fund Balances	General	Capital Projects	Total
Committed to			
Capital Projects	\$ -	\$ 1,000,000	\$ 1,000,000
Assigned to			
Encumbrances	49,877	0	49,877
Capital Projects	0	547,644	547,644
<i>Total Assigned</i>	49,877	547,644	597,521
Unassigned (Deficit)	2,329,213	0	2,329,213
<i>Total Fund Balances</i>	\$ 2,379,090	\$ 1,547,644	\$ 3,926,734

**SOUTHWEST PUBLIC LIBRARIES
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 10 – Fund Balances (Continued)

2014			
Fund Balances	General	Capital Projects	Total
Committed to			
Capital Projects	\$ -	\$ 14,894	\$ 14,894
Assigned to			
Encumbrances	48,247	0	48,247
Capital Projects	0	2,082,924	2,082,924
<i>Total Assigned</i>	48,247	2,082,924	2,131,171
Unassigned (Deficit)	2,134,932	0	2,134,932
<i>Total Fund Balances</i>	<u>\$ 2,183,179</u>	<u>\$ 2,097,818</u>	<u>\$ 4,280,997</u>

Note 11 – Inter-fund Transfers

The general fund transferred \$600,000 to the Capital Projects Fund to fund future capital projects approved by the Board of Trustees.

Note 12 – Construction and Contractual Commitments

The Library Board of Trustees approved a Development Agreement and a Lease/Purchase Agreement with the City of Grove City on June 9, 2015 for the construction and lease/purchase of a 48,000 square foot building located at 3959 Broadway, Grove City Ohio 43123 to be the future home of the Grove City Library. The agreement calls for the City of Grove City to pay for all building construction and site development costs and then to lease the Grove City Library building to the Library for a period of 30 years; at the end of which, the Library becomes the sole owner of the property. The annual lease payment to the City of Grove City is \$300,000 for 30 years. Under the agreement, the Library paid the City \$1,000,000 toward construction costs in June, 2015 with that cost being expended as a capital expenditure from the Capital Projects Fund. The Library will owe the City a second and final installment of \$1,000,000 upon completion of the building; projected for September, 2016. The final \$1,000,000 payment is classified as committed within the Capital Projects Fund on the 2015 year-end financial statements. In addition, the Library agreed to deed the current Grove City Library Property at 3359 Park Street, Grove City, Ohio 43123 to the City of Grove City upon the completion of the new library building at 3959 Broadway.

Note 13 – Contingent Liabilities

The Library was not a party to any lawsuits or any litigation as of December 31, 2015 and 2014 and is not currently a defendant in any legal case.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, 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 and each major fund of the Southwest Public Library, Franklin County, Ohio, (the Library) as of and for the year ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 30, 2016, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

Compliance and Other Matters

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

August 30, 2016

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2015-001

Payroll Controls – Material Weakness

Internal controls relating to payroll transactions should include supervisor approval of time cards and reconciliation of the payroll information from the accounting software to the source documentation (i.e. time cards, salary notices, etc). Signatures or other marking by the person responsible for the control should be added to the source documentation to indicate review and approval. Evidence of the operation of the control should be maintained by the Library.

The Library requires the immediate Supervisors to review and indicate approval by signing the time card. However, not all Supervisors follow the practice of signing time cards to indicate approval. The Library also performs a reconciliation of payroll reports to source documentation. However, the reports are not maintained by the Library.

Failure to properly place controls into operation and maintain evidence of the operation could result in material misappropriation of assets. Without evidence of either a direct supervisor's approval or the manual reconciliation process, which includes review of source documents, such as timesheets, controls are ineffective to ensure employees are paid correctly, which could potentially result in material misstatement.

We recommend the Director and the Board of Trustees take the necessary measures to ensure all payroll controls are operating effectively and evidence of the control operation is maintained.

Officials' Response:

Time cards are all reviewed for each pay period. Steps have been taken to ensure they are all signed.

FINDING NUMBER 2015-002

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Library's Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As noted in Note 2 of the Financial Statements, 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

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2015-002 (CONTINUED)

Financial Reporting – Material Weakness (Continued)

The following adjustments were qualitatively material to the overall financial statements of the Library and were posted to the financial statements at December 31, 2015 and 2014:

- Adjustment to increase fiscal year 2015 actual expenditures to include current year encumbrances on the 2015 budgetary statement in the amount of \$49,877
- The Library originally posted investment in STAROhio, which has a matured of less than three months, as an Investment on the Balance Sheet. An adjustment to decrease fiscal year 2015 investments and increase Equity in Pooled Cash and Cash Equivalents in the General Fund in the amount of \$997,477
- Adjustment to increase fiscal year 2014 actual expenditures to include current year encumbrances on the 2014 budgetary statement in the amount of \$48,247
- The Library originally posted investment in STAROhio, which has a matured of less than three months, as an Investment on the Balance Sheet. An adjustment to decrease fiscal year 2015 investments and increase Equity in Pooled Cash and Cash Equivalents in the General Fund in the amount of \$996,434

Also variances of understated final estimated receipts on the 2015 budgetary statement, for estimated property and other local tax receipts for \$9,126, estimated public library receipts for \$203,896, and estimated intergovernmental receipts of \$8,888 to match the approved Amended Certificate of Estimated Resources, were not material and not posted to the financial statements.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Fiscal Officer and Board continue to develop and enhance policies and procedures over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Library and thereby increases the reliability of the financial data throughout the year.

Officials' Response:

Officials declined to respond.



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
OCTOBER 4, 2016**