



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
3959 Broadway
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 years ended December 31, 2017 and 2016, 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, 2017 and 2016, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2018 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 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 29, 2018

Southwest Public Libraries
Statement of Net Position - Cash Basis
December 31, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and cash equivalents	<u>\$2,562,671</u>
<i>Total Assets</i>	<u><u>\$2,562,671</u></u>
Net Position	
Unrestricted	<u>2,562,671</u>
<i>Total Net Position</i>	<u><u>\$2,562,671</u></u>

See accompanying notes to the basic financial statements

Southwest Public Libraries
Statement of Activities - Cash Basis
For the Year Ended December 31, 2017

	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	\$2,692,921	\$114,366	(\$2,578,555)
Collection Development and Processing	876,942	0	(876,942)
Support Services:			
Facilities Operation and Maintenance	1,531,161	0	(1,531,161)
Information Services	443,915	0	(443,915)
Business Administration	670,742	0	(670,742)
Capital Outlay	285,183	0	(285,183)
<i>Total Governmental Activities</i>	<u>\$6,500,864</u>	<u>\$114,366</u>	<u>(6,386,498)</u>
General Receipts:			
Property Taxes Levied for General Purposes			2,193,840
Public Library Fund			3,561,008
Grants and entitlements not restricted to specific programs			249,585
Unrestricted Gifts and Contributions			6,503
Earnings on Investments			10,664
Miscellaneous			151,309
<i>Total General Receipts</i>			<u>6,172,909</u>
Change in Net Position			(213,589)
<i>Net Position Beginning of Year</i>			<u>2,776,260</u>
<i>Net Position End of Year</i>			<u>\$2,562,671</u>

See accompanying notes to the basic financial statements

Southwest Public Libraries
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2017

	General	Capital Projects	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,061,031	\$501,640	\$2,562,671
<i>Total Assets</i>	\$2,061,031	\$501,640	\$2,562,671
Fund Balances			
Committed	\$0	\$501,640	\$501,640
Assigned	79,990	0	79,990
Unassigned	1,981,041	0	1,981,041
<i>Total Fund Balances</i>	\$2,061,031	501,640	\$2,562,671

See accompanying notes to the basic financial statements

Southwest Public Libraries
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2017

	General	Capital Projects	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$2,193,840	\$0	\$2,193,840
Public Library	3,561,008	0	3,561,008
Intergovernmental	249,585	0	249,585
Patron Fines and Fees	114,366	0	114,366
Contributions, Gifts and Donations	3,625	0	3,625
Earnings on Investments	10,664	0	10,664
Miscellaneous	147,684	0	147,684
<i>Total Receipts</i>	<u>6,280,772</u>	<u>0</u>	<u>6,280,772</u>
Disbursements			
Current:			
Library Services:			
Public Services and Programs	2,692,921	0	2,692,921
Collection Development and Processing	876,942	0	876,942
Support Services:			
Facilities Operation and Maintenance	1,531,161	0	1,531,161
Information Services	443,915	0	443,915
Business Administration	670,742	0	670,742
Capital Outlay	111,937	173,246	285,183
<i>Total Disbursements</i>	<u>6,327,618</u>	<u>173,246</u>	<u>6,500,864</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(46,846)</u>	<u>(173,246)</u>	<u>(220,092)</u>
Other Financing Sources (Uses)			
Sale of capital assets	6,503	0	6,503
Transfers In	0	350,000	350,000
Transfers Out	(350,000)	0	(350,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(343,497)</u>	<u>350,000</u>	<u>6,503</u>
<i>Net Change in Fund Balances</i>	(390,343)	176,754	(213,589)
<i>Fund Balances Beginning of Year</i>	<u>2,451,374</u>	<u>324,886</u>	<u>2,776,260</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,061,031</u></u>	<u><u>\$501,640</u></u>	<u><u>\$2,562,671</u></u>

See accompanying notes to the basic financial statements

Southwest Public Libraries
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$2,229,981	\$2,180,469	\$2,193,840	\$13,371
Public Library	3,619,671	3,539,305	3,561,008	21,703
Intergovernmental	253,697	248,064	249,585	1,521
Patron Fines and Fees	116,250	113,669	114,366	697
Contributions, Gifts and Donations	0	0	3,625	3,625
Earnings on Investments	10,840	10,599	10,664	65
Miscellaneous	150,117	146,784	147,684	900
<i>Total Receipts</i>	6,380,556	6,238,890	6,280,772	41,882
Disbursements				
Current:				
Library Services:				
Public Services and Programs	2,737,035	2,757,530	2,693,751	63,779
Collection Development and Processing	1,028,951	1,006,335	951,374	54,961
Support Services:				
Facilities Operation and Maintenance	1,734,485	1,810,823	1,531,161	279,662
Information Services	382,103	459,528	443,915	15,613
Business Administration	823,226	2,321,730	673,244	1,648,486
Capital Outlay	110,340	123,000	114,163	8,837
<i>Total Disbursements</i>	6,816,140	8,478,946	6,407,608	2,071,338
<i>Excess of Receipts Over (Under) Disbursements</i>	(435,584)	(2,240,056)	(126,836)	2,113,220
Other Financing Sources (Uses)				
Sale of capital assets	6,610	6,463	6,503	40
Transfers Out	0	(350,000)	(350,000)	0
<i>Total Other Financing Sources (Uses)</i>	6,610	(343,537)	(343,497)	40
<i>Net Change in Fund Balance</i>	(428,974)	(2,583,593)	(470,333)	2,113,260
<i>Fund Balance Beginning of Year</i>	2,396,434	2,396,434	2,396,434	0
Prior Year Encumbrances Appropriated	54,940	54,940	54,940	0
<i>Fund Balance End of Year</i>	\$2,022,400	(\$132,219)	\$1,981,041	\$2,113,260

See accompanying notes to the basic financial statements

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – 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.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

The Library’s basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the Library as a whole. These statements include the financial activities of the library. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Library has no business-type activities.

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 is self-financing on a cash basis or draws from the Library’s general receipts.

Fund Financial Statements During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental and enterprise 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.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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.

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.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

Investments 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.

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.

The Library's investment in the State Treasury Asset Reserve of 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 and is recognized as an external investment pool by the Library. The Library measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. There were no restricted assets as of December 31, 2017.

Inventory and Prepaid Items

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

Capital Assets

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

Accumulated Leave

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

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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, 2017, 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, 2017, the Library had no restricted net position.

Fund Balance

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

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

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

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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 Trustees or a Library official delegated that authority by resolution, or by State Statute. State Statute authorizes the Library Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

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

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

Internal Activity

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

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end 2017 (budgetary basis) amounted to \$79,990 for the General Fund.

Note 4 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments (continued)

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

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

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

At year end 2017, the Library had \$1,000 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 2017, none of the Library's bank balance of \$1,644,987 was exposed to custodial credit risk.

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.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments (continued)

Investments

The library reports their investments at cost or net asset value per share. The fair value of these investments is not materially different from cost. As of December 31, 2017, the Library had the following investment:

	NAV
STAR Ohio	\$ 1,013,431

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 the market rate of return. At December 31, 2017, the Library’s investment in STAR OHIO represents 100 percent of the Library’s total investments.

Note 5 – Grants in Aid and Property Taxes

Grants in Aid

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

Property Taxes

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

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

2016 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 201 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

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 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.

The Library belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016 (latest information available).

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management (continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016 (latest information available).

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

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.

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

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

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Defined Benefit Pension Plan (continued)

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

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.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Defined Benefit Pension Plan (continued)

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

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

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

The Library's contractually required contribution was \$384,260 for year 2017.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

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

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 - Postemployment Benefits (continued)

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Library's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, was \$3,842.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 \$271,901 in 2017 to pay lease costs. Future lease Payments are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 309,863
2019	309,863
2020	309,863
2021	<u>309,863</u>
Total	<u><u>\$1,239,452</u></u>

Part of the Library’s lease payment is for property taxes incurred by Echo Property Development and reimbursement of common area maintenance charges for the shopping center. Future additional property taxes will cause the amounts listed above to increase by the amount of the property tax attributable to the 4740 West Broad Street location. It is not possible to predict when these increases may occur or what 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 are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Committed to			
Capital projects	\$ -	\$ 501,640	\$ 501,640
Assigned to			
Encumbrances	79,990	-	79,990
<i>Total Assigned</i>	<u>79,990</u>	<u>-</u>	<u>79,990</u>
Unassigned	1,981,041	-	1,981,041
<i>Total Fund Balances</i>	<u><u>\$ 2,061,031</u></u>	<u><u>\$ 501,640</u></u>	<u><u>\$ 2,562,671</u></u>

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – 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 \$2,000,000 toward construction costs in June, 2015 (\$1,000,000) and March, 2016 (\$1,000,000) with that cost being expended as a capital expenditure from the Capital Projects Fund. 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. The construction project was completed on October 16, 2016 and the property was appropriately deeded to the City in February 2017.

Note 12 – Interfund Transfers

Interfund transfers for the year ended December 31, 2017 consisted of the following:

Transfers To	Transfers From
	General
Capital Projects Fund	\$ 350,000

The general fund transfers to the capital projects fund were made to provide additional resources for current operations.

Southwest Public Libraries
Statement of Net Position - Cash Basis
December 31, 2016

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and cash equivalents	<u>\$2,776,260</u>
<i>Total Assets</i>	<u><u>\$2,776,260</u></u>
Net Position	
Unrestricted	<u>2,776,260</u>
<i>Total Net Position</i>	<u><u>\$2,776,260</u></u>

See accompanying notes to the basic financial statements

Southwest Public Libraries
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

	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	\$2,559,785	\$105,749	(\$2,454,036)
Collection Development and Processing	872,471	0	(872,471)
Support Services:			
Facilities Operation and Maintenance	1,530,383	0	(1,530,383)
Information technology services	386,684	0	(386,684)
Business Administration	701,500	0	(701,500)
Capital Outlay	1,278,246	0	(1,278,246)
Total Governmental Activities	\$7,329,069	\$105,749	(7,223,320)
		General Receipts:	
		Property Taxes Levied for General Purposes	2,140,173
		Public Library Fund	3,546,704
		Grants and entitlements not restricted to specific programs	250,626
		Contributions and Donations	12,960
		Sale of assets	375
		Earnings on investments	5,291
		Miscellaneous	116,717
		Total General Receipts	6,072,846
		Change in Net Position	(1,150,474)
		<i>Net Position Beginning of Year</i>	3,926,734
		<i>Net Position End of Year</i>	\$2,776,260

See accompanying notes to the basic financial statements

Southwest Public Libraries
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2016

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$2,451,374</u>	<u>\$324,886</u>	<u>\$2,776,260</u>
<i>Total Assets</i>	<u><u>\$2,451,374</u></u>	<u><u>\$324,886</u></u>	<u><u>\$2,776,260</u></u>
Fund Balances			
Committed	\$0	\$324,886	\$324,886
Assigned	425,288	0	425,288
Unassigned	<u>2,026,086</u>	<u>0</u>	<u>2,026,086</u>
<i>Total Fund Balances</i>	<u><u>\$2,451,374</u></u>	<u><u>\$324,886</u></u>	<u><u>\$2,776,260</u></u>

See accompanying notes to the basic financial statements

Southwest Public Libraries
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2016

	General	Capital Projects Fund	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$2,140,173	\$0	\$2,140,173
Public Library	3,546,704	0	3,546,704
Intergovernmental	250,626	0	250,626
Patron Fines and Fees	105,749	0	105,749
Contributions, Gifts and Donations	12,960	0	12,960
Earnings on Investments	5,291	0	5,291
Miscellaneous	116,717	0	116,717
<i>Total Receipts</i>	<u>6,178,220</u>	<u>0</u>	<u>6,178,220</u>
Disbursements			
Current:			
Library Services:			
Public Services and Programs	2,559,785	0	2,559,785
Collection Development and Processing	872,471	0	872,471
Support Services:			
Facilities Operation and Maintenance	1,530,383	0	1,530,383
Information Services	386,684	0	386,684
Business Administration	701,500	0	701,500
Capital Outlay	55,488	1,222,758	1,278,246
<i>Total Disbursements</i>	<u>6,106,311</u>	<u>1,222,758</u>	<u>7,329,069</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>71,909</u>	<u>(1,222,758)</u>	<u>(1,150,849)</u>
Other Financing Sources (Uses)			
Sale of assets	375	0	375
<i>Total Other Financing Sources (Uses)</i>	<u>375</u>	<u>0</u>	<u>375</u>
<i>Net Change in Fund Balances</i>	72,284	(1,222,758)	(1,150,474)
<i>Fund Balances Beginning of Year</i>	<u>2,379,090</u>	<u>1,547,644</u>	<u>3,926,734</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,451,374</u></u>	<u><u>\$324,886</u></u>	<u><u>\$2,776,260</u></u>

See accompanying notes to the basic financial statements

Southwest Public Libraries
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$2,208,141	\$2,208,141	\$2,140,173	(\$67,968)
Public Library	3,645,224	3,645,224	3,546,704	(98,520)
Intergovernmental	269,396	269,396	250,626	(18,770)
Patron Fines and Fees	108,000	108,000	105,749	(2,251)
Contributions, Gifts and Donations	7,000	7,000	12,960	5,960
Earnings on Investments	1,000	1,000	5,291	4,291
Miscellaneous	60,000	60,000	116,717	56,717
<i>Total Receipts</i>	6,298,761	6,298,761	6,178,220	(120,541)
Disbursements				
Current:				
Library Services:				
Public Services and Programs	2,370,290	2,593,095	2,559,833	33,262
Collection Development and Processing	1,015,165	1,049,147	926,940	122,207
Support Services:				
Facilities Operation and Maintenance	1,689,436	1,719,148	1,530,383	188,765
Information Services	381,239	416,613	386,684	29,929
Business Administration	2,972,401	2,650,529	701,583	1,948,946
Capital Outlay	110,200	110,200	55,828	54,372
<i>Total Disbursements</i>	8,538,731	8,538,732	6,161,251	2,377,481
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,239,970)	(2,239,971)	16,969	2,256,940
Other Financing Sources				
Sale of assets	0	0	375	375
<i>Total Other Financing Sources</i>	0	0	375	375
<i>Net Change in Fund Balance</i>	(2,239,970)	(2,239,971)	17,344	2,257,315
<i>Fund Balance Beginning of Year</i>	2,329,213	2,329,213	2,329,213	0
Prior Year Encumbrances Appropriated	49,877	49,877	49,877	0
<i>Fund Balance End of Year</i>	\$139,120	\$139,119	\$2,396,434	\$2,257,315

See accompanying notes to the basic financial statements

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – 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.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

The Library’s basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the Library as a whole. These statements include the financial activities of the library. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Library has no business-type activities.

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 is self-financing on a cash basis or draws from the Library’s general receipts.

Fund Financial Statements During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental and enterprise 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.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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.

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.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

Cash and Cash Equivalents

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

Investments 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.

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.

The Library's investment in the State Treasury Asset Reserve of 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 and is recognized as an external investment pool by the Library. The Library measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. There were no restricted assets as of December 31, 2016.

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.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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, 2016, 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, 2016, the Library had no restricted net position.

Fund Balance

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

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

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

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

Internal Activity

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

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end 2016 (budgetary basis) amounted to \$54,940 for the General Fund.

Note 4 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments (continued)

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

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

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

At year end 2016, 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 2016, none of the Library's bank balance of \$1,863,794 was exposed to custodial credit risk.

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.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments (continued)

Investments

The library reports their investments at cost or net asset value per share. The fair value of these investments is not materially different from cost. As of December 31, 2016, the Library had the following investments:

	Measurement Value
STAR Ohio	<u>\$ 1,002,832</u>

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy addresses interest rate risk by requiring 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 the market rate of return. At December 31, 2016, the Library's investment in STAR OHIO represents 100 percent of the Library's total investments.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Grants in Aid and Property Taxes

Grants in Aid

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 201 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

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.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 2016, 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.

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

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

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Defined Benefit Pension Plan (continued)

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.

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:

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Defined Benefit Pension Plan (continued)

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
 Employee	 10.0 %

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

The Library's contractually required contribution was \$372,129 for year 2016.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

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

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 - Postemployment Benefits (continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 - Postemployment Benefits (continued)

Substantially all of the Library's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, was \$7,443.

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 \$322,245 in 2016 to pay lease costs. Future lease Payments are as follows:

Year	Amount
2017	\$309,863
2018	309,863
2019	309,863
2020	309,863
2021	309,863
Total	<u><u>\$1,549,315</u></u>

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

Southwest Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Fund Balances (continued)

Fund Balances	General	Capital Projects	Total
Committed to			
Capital projects	\$0	\$324,886	\$324,886
Assigned to			
Encumbrances	54,939	0	54,939
Subsequent year appropriations	370,349	0	370,349
<i>Total Assigned</i>	425,288	0	425,288
Unassigned			
	2,026,086	0	2,026,086
<i>Total Fund Balances</i>	\$2,451,374	\$324,886	\$2,776,260

Note 11 – 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 \$2,000,000 toward construction costs in June, 2015 (\$1,000,000 and March, 2016 (\$1,000,000) with that cost being expended as a capital expenditure from the Capital Projects Fund. 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. The construction was completed on October 16, 2016, but the current property was not deeded to the City of Grove City until February 2017.



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
3959 Broadway
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 cash-basis financial statements of the governmental activities and each major fund of the Southwest Public Library, Franklin County, Ohio, (the Library) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon August 29, 2018, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 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*.

Library's Responses to Findings

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Library's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 29, 2018

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

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, we noted not all time cards were signed by the employees' Supervisor to indicate approval, as required by the Library's policy.

Failure to properly place controls into operation and maintain evidence of the operation could result in material misappropriation of assets. Without evidence of a direct supervisor's approval over source documents such as time cards, 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:

Supervisors were instructed to sign all time cards per the Library policy. Some time cards were found to be missing supervisor signatures during the audit for years 2017 and 2016. It was discovered that the reason was immediate supervisor was on vacation or sick leave when time cards were submitted. Subsequently, supervisors have been instructed that when they are on vacation or sick leave, the next supervisor in line is to sign the time card before submitting to the Business Office. In the future, the Business office will not accept and process time cards without a supervisory signature.

FINDING NUMBER 2017-002

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2017-002 (CONTINUED)

Financial Reporting – Material Weakness (Continued)

The following adjustments were qualitatively and/or quantitatively material to the overall financial statements of the Library and were posted to the financial statements at December 31, 2017 and 2016:

- The Statement of Net Position – Cash Basis for 2017 had \$2,776,260 for Equity in pooled cash and cash equivalents, but originally only had \$2,276,260 of Unrestricted Net Position. This was caused by a typographical error in the Unrestricted Net Position. The financial statements have been corrected to show the Unrestricted Net Position of \$2,776,260.

- During 2017, the Capital Projects Fund was incorrectly presented as a non-major Other Governmental Fund (Remaining Fund Information opinion unit) rather than a major fund as required by Governmental Accounting Standards Board (GASB) Statement No. 34. Therefore, the financial statements were adjusted as noted below to correctly show the Capital Projects Fund activity as a major fund:
 - Adjustment to move Equity in Pooled Cash and Cash Equivalents and Committed Fund Balance from Remaining Fund Information to Capital Projects in the amount of \$501,640.
 - Adjustment to move Capital Outlay from Remaining Fund Information to Capital Projects in the amount of \$173,246.
 - Adjustment to move Transfers-In from Remaining Fund Information to Capital Projects in the amount of \$350,000.
 - Adjustment to move beginning fund balance from Remaining Fund Information to Capital Projects in the amount of \$324,886.

- The 2017 Statement of Net Position – Cash Basis incorrectly presented \$501,640 as Restricted for Other Purposes Net Position rather than Unrestricted Net Position, as the only restriction on the funds was Board approved restrictions.

In addition to the items noted above, we identified additional misstatements to the budgetary statements ranging from \$29,392 to \$443,893 to correct presentation of estimated receipts and disbursements that we have brought to the Library's attention.

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:

The officials declined to respond.



Administrative Offices: Grove City Library, 3359 Park Street Grove City, Ohio 43123 ph 614.875.6716
 Westland Area Library, 4740 W. Broad Street, Columbus, Ohio 43228 ph 614.878-1301

www.swpl.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	<p>Payroll Controls – Material Weakness Not all time cards are signed by supervisors as required</p>	Not Corrected	<p>Supervisors were instructed to sign all time cards per library policy. Some time cards were found to be missing supervisor signature during the audit for years 2017 and 2016. It was discovered that the reason was immediate supervisor was on vacation or sick leave when time cards were submitted. Subsequently, supervisors have been instructed that when they are on vacation or sick leave, the next supervisor in line is to sign the time card before submitting to the Business Office. In the future, the Business Office will not accept and process time cards without a supervisory signature.</p>
2015-002	<p>Financial Reporting- Material Weakness Material Adjustments to the financial statements were required.</p>	Not Corrected	<p>STAROhio is now listed as cash equivalent</p> <p>The listing as an Investment instead of Cash and Cash Equivalent was inadvertent mistake because STAR Ohio is listed as an investment in the Notes to the Financial Statements but as Cash and Cash Equivalents on the Financial Statements.</p> <p>I will ensure that it is correctly listed going forward.</p>

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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
SEPTEMBER, 25 2018**