



Mary Taylor, CPA
Auditor of State

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of Southwest Public Library, Franklin County, Ohio, (the Library) as of and for the years ended December 31, 2007 and 2006 which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described more fully in Note 2, the Library has prepared these financial statements using cash accounting basis. This is a comprehensive accounting basis that differs from accounting principles generally accepted in the United States of America (GAAP).

In our opinion, the financial statements referred to above for the years ended December 31, 2007 and 2006 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, 2007 and 2006, and the respective changes in cash financial position and the budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 8, 2008

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
*Unaudited***

This discussion and analysis of Southwest Public Libraries' (The Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2007 and 2006, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2007 are as follows:

Net assets of governmental activities decreased \$89,965, or 6 percent, a significant change from the prior year. The General Fund decreased by \$16,710 and the Capital Projects Fund decreased by \$73,255. The decrease in the General Fund was the result of increases in expenditures for employee salaries and benefits and in purchased and contracted services. The Library granted the first salary schedule step increase to its employees for the first time in several years based on the belief that the recommendation of the Library and Local Government Task Force of the Ohio General Assembly would be implemented in 2007. This recommendation called for a 3 percent increase in public library funding concurrent with the adoption of a new formula to fund public libraries. When Governor Strickland introduced the budget for the 2007-2009 Biennium, the task force's recommendation for the 3 percent increase was not followed. Consequently, the Library's expenditures for salaries and benefits increased without a corresponding increase in revenue. In addition, expenditures for purchased and contracted services went up significantly as inflation pushed up these costs. Without corresponding increases in revenue, these factors contributed to a decline in net assets of governmental activities. The decrease in the Capital Projects Fund was due to capital expenditures for furniture, computer equipment, building repairs, and the purchase of a library delivery van without any revenue coming into the fund.

The Library's general receipts are primarily from the State of Ohio. The Library, along with 250 other public libraries in Ohio, receives a portion of the income tax collected by the State of Ohio. These funds are distributed through the Library and Local Government Support Fund (LLGSF). As written into law, the LLGSF is 5.7% of state income tax collected. However, since 2001, the LLGSF has been frozen by the Ohio General Assembly and libraries have not received 5.7% of state income tax collected. These receipts represent 93.7 percent of the total cash received for governmental activities during the year. During 2007, The Ohio General Assembly adopted a new funding formula for public libraries that takes effect on January 1, 2008. The new formula moves away from reliance on personal income tax and provides libraries with 2.2% of all General Revenue Fund Taxes. The list of taxes now included in the LLGSF is as follows: Auto Sales and Use, Non-Auto Sales and Use, Personal Income, Corporate Franchise, Public Utility, Kilowatt-Hour, Domestic Insurance, Misc. Business and Property, Cigarette, Alcoholic Beverage, Liquor Gallonage, Estate, and Commercial Activity. The remaining revenue received by the Library comes from fines and fees levied on patrons, interest earned on funds invested, donations to the Library, and other miscellaneous sources. The Library has no local property tax. The Library has asked voters to approve a property tax seven times since 1986, but has not been successful.

The number of people employed by the library remained at 90, unchanged from the previous year. It is unlikely that employment will increase significantly for the foreseeable future, and may in fact decline, due to continued efforts by management and the board to reduce operating expenditures in response to declining or stagnant receipts from the LLGSF over the past several years.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
*Unaudited
(Continued)***

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$150,106, or 12.2 percent, a significant change from the prior year. The General Fund increased by \$81,575 and the Capital Projects Fund increased by \$68,531. The increase in the General Fund was the result of stringent cost controls put in place by the Board of Trustees and Management in response to several years of stagnant or declining revenues, especially revenue received from the State of Ohio. The increase in the Capital Projects Fund was due to an interfund transfer of \$100,000 at the end of 2006, offset by expenditures for furniture and equipment.

The Library's general receipts are primarily from the State of Ohio. The Library, along with 250 other public libraries in Ohio, receives a portion of the income tax collected by the State of Ohio. These funds are distributed through the Library and Local Government Support Fund (LLGSF). As written into law, the LLGSF is 5.7% of state income tax collected. However, since 2001, the LLGSF has been frozen by the Ohio General Assembly and libraries have not received 5.7% of state income tax collected. These receipts represent 94.3 percent of the total cash received for governmental activities during the year. The remaining revenue received by the Library comes from fines and fees levied on patrons, interest earned on funds invested, donations to the Library, and other miscellaneous sources. The Library has no local property tax. The Library has asked voters to approve a property tax seven times since 1986, but has not been successful.

The number of people employed by the library remained at 90, unchanged from the previous year. It is unlikely that employment will increase significantly for the foreseeable future, and may in fact decline, due to continued efforts by management and the board to reduce operating expenditures in response to declining or stagnant receipts from the LLGSF over the past several years.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

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

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

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
*Unaudited
(Continued)***

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2007 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, one can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well such as the Library's near total reliance on the LLGSF for revenue, the condition of the Library's capital assets and infrastructure, and the inability of the Library to pass a local property tax.

In the statement of net assets and the statement of activities are comprised of governmental activities only.

Governmental activities. Most of the Library's basic services are reported here, including personnel required to conduct programming and assist patrons, purchase of library materials, and the acquisition of goods and services required to provide basic library service to patrons. Receipts from the LLGSF finance most of these activities. Services provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

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

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
*Unaudited
(Continued)***

Governmental Funds – All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The Library's major governmental funds are the General and Capital Projects Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2007 compared to 2006 and 2006 to 2005 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets			
Cash and Cash Equivalents	\$ 1,294,819	\$ 1,384,784	\$ 1,234,678
Total Assets	\$ 1,294,819	\$ 1,384,784	\$ 1,234,678
	=====	=====	=====
Net Assets			
Unrestricted	\$ 1,294,819	\$ 1,384,784	\$ 1,234,678
Total Net Assets	\$ 1,294,819	\$ 1,384,784	\$ 1,234,678
	=====	=====	=====

As mentioned previously, net assets of governmental activities decreased \$ 89,965 or 6 percent during 2007 and increased \$150,106 or 12.2 percent during 2006. The primary factors contributing to the decrease and increase in cash balances are as follows:

- Revenue from the LLGSF was unchanged from 2006 and 2005 levels. Other revenue sources increased \$27,319 and \$5,557 in 2007 and 2006 respectively.
- Expenditures for governmental activities increased by \$ 267,392 during 2007 and decreased \$18,257 during 2006. For 2007, this was primarily due to an increase in expenditures for personnel and benefits, as well as purchased and contracted services, as mentioned earlier. In 2006, this was primarily due to stringent cost controls put in place by the Library's board and administration in response to several years of stagnant or declining revenue.
- Expenditures from the Capital Projects Fund amounted to \$73,255 in 2007 and \$31,469 in 2006. These expenditures were made to purchase furniture and equipment for both years. In 2007, the library purchased a library delivery van, and had significant building repairs.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
*Unaudited
(Continued)***

Table 2 reflects the changes in net assets in 2007 and 2006.

(Table 2)
Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006	Governmental Activities 2005
Receipts:			
Program Receipts:			
Charges for Service	\$172,259	\$154,618	\$155,419
Total Program Receipts	<u>172,259</u>	<u>154,618</u>	<u>155,419</u>
General Receipts:			
LLGSF Receipts	4,124,952	4,124,950	4,124,947
Grants and Donations Not Restricted to Specific Programs	15,001	10,860	19,251
Interest	63,777	57,546	35,364
Miscellaneous	27,274	27,968	35,381
Total General Receipts	<u>4,231,004</u>	<u>4,221,324</u>	<u>4,214,943</u>
Total Receipts	<u>4,403,263</u>	<u>4,375,942</u>	<u>4,370,362</u>
Disbursements:			
Salaries	2,104,442	2,004,491	2,068,167
Employee Benefits	608,560	557,294	597,572
Purchased and Contracted Services	996,827	910,336	865,907
Library Materials and Information	527,500	562,504	522,414
Supplies	100,376	104,576	106,243
Other Miscellaneous Disbursements	30,927	15,255	14,802
Capital Outlay	124,596	71,380	118,733
Total Disbursements	<u>4,493,228</u>	<u>4,225,836</u>	<u>4,293,838</u>
Increase (Decrease) in Net Assets	(89,965)	150,106	76,524
Net Assets, January 1,	<u>1,384,784</u>	<u>1,234,678</u>	<u>1,158,154</u>
Net Assets, December 31,	<u>\$1,294,819</u>	<u>\$1,384,784</u>	<u>\$1,234,678</u>

During 2007 & 2006, program receipts represent only 3.9 percent and 3.5 percent, respectively of total receipts and are primarily comprised of overdue fines and fees for using photocopiers and printers.

For 2007 and 2006, general receipts represent 96.08 percent and 96.5 percent, respectively, of the Library's total receipts, and of this amount, 97.5 percent and 97.7 percent, respectively are from the LLGSF. Donations, interest, and miscellaneous receipts make up the balance of the Library's general receipts (2.5 percent) in 2007 and (2.3 percent) in 2006.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
*Unaudited
(Continued)***

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

Governmental Activities

If you look at the Statement of Activities on pages 13 and 18, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Salaries and Purchased and Contract Services, which account for 47 and 22 percent of all governmental disbursements, respectively, for both 2007 and 2006. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by locals. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Salaries	\$2,104,442	\$2,104,442	\$2,004,491	\$2,004,491
Employee Fringe Benefits	608,560	\$608,560	\$557,294	\$557,294
Purchased and Contracted Services	996,827	996,827	910,336	910,336
Library Materials and Information	527,500	355,241	562,504	407,886
Supplies	100,376	100,376	104,576	104,576
Other	30,927	30,927	15,255	15,255
Capital Outlay	124,596	124,596	71,380	71,380
Total Expenses	\$4,493,228	\$4,320,969	\$4,225,836	\$4,071,218

The dependence upon Library and Local Government Support is apparent as over 92 and 98 percent, respectively, of governmental activities are supported through these general receipts for 2007 and 2006.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
*Unaudited
(Continued)***

The Library's Funds

For 2007, total governmental funds had receipts of \$4,403,263 and disbursements of \$4,493,228. The General Fund declined by \$16,710 and the Capital Projects Fund declined by \$73,255. The fund balance of the General Fund decreased by \$16,710 as result of slightly increasing revenues combined with significant increases in expenditures for employee salaries and benefits and purchased and contracted services. The fund balance of the Capital Projects Fund decreased \$ 73,255 as the result of increased expenditures for furniture and equipment and the purchase of a Library delivery van.

For 2006, total governmental funds had receipts of \$4,475,942 and disbursements of \$4,325,836. The General Fund increased by \$81,575 and the Capital Projects Fund increased by \$68,531. The fund balance of the General Fund increased by \$81,575 as result of slightly increasing revenues combined with a decrease in expenditures of \$18,257, compared to 2005. The fund balance of the Capital Projects Fund increased \$68,531 as the result of an interfund transfer of \$100,000 from the General Fund, offset to a lesser extent by expenditures for furniture and equipment in the amount of \$31,469.

General Fund Budgeting Highlights

Ohio law requires the Library to budget and appropriate all funds. The appropriations resolution is the Trustees' authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and major object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

In 2007, Final General Fund receipts were below original budgeted receipts due to changes in the LLGSF as a result of the biennial budget adopted by the Ohio General Assembly running from July 1, 2007 until June 30, 2009. In 2006, Final General Fund receipts were below original budgeted receipts. The Library did not amend its budget as a result of these changes.

Final disbursements were budgeted at \$ 5,944,902 (of which \$ 1,133,858 was appropriated as a contingency with no plans for being spent) while actual expenditures were \$ 4,471,215 for 2007 and \$5,496,590(of which \$ 895,170 was appropriated as a contingency with no plans for being spent) while actual expenditures were \$ 4,402,761 in 2006. Since expenditures were significantly below the total amount appropriated, no reduction in appropriations occurred. The Library has kept spending below budgeted amounts as demonstrated by the positive variance between the amount budgeted and the amount expended.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**
Unaudited
(Continued)

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2007 and 2006, the Library had no outstanding debt.

Current Issues

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on the LLGSF and have very few options available for significantly increasing revenues. The Ohio General Assembly adopted a new library funding formula (effective January 1, 2008) that reduces the percentage of taxes allocated to public libraries from 5.7 percent to 2.2 percent but expands the allocation to include all tax sources of the General Revenue Fund rather than personal income tax alone. There can be no assurances that this new funding mechanism will allow for significant future growth in revenues or even that the current level of funding will be maintained. At the end of 2007, there was increasing evidence that Ohio's economy was worsening. A decline in economic activity within the state could result in a reduction of revenues being collected by the state which would, in turn, result in a reduction of public library funding. In addition, the state could be forced to make cuts in expenditures to balance its budget and it could revise the LLGSF to reduce the percentage allocated to public libraries. The Library does not consider an attempt to pass a local property tax levy a viable option in light of the failure of seven previous attempts. Furthermore, property taxes are extremely unpopular in the Library's district and the needs of the local school district will likely make passing a local property tax levy even more difficult in the future. In response to these pressures, the Library will maintain stringent cost controls and continuously look for ways to reduce expenses without materially impacting service to library patrons. It is possible that a material decline in funding could result in significant cuts to services provided to library patrons.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mark M. Shaw, Director/Treasurer, Southwest Public Libraries, 3359 Park Street., Grove City, Ohio 43123.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007**

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$1,294,819
<i>Total Assets</i>	<u>\$1,294,819</u>
Net Assets	
Unrestricted	1,294,819
<i>Total Net Assets</i>	<u>\$1,294,819</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Library Services:			
Salaries	\$2,104,442	\$0	(\$2,104,442)
Employee Fringe Benefits	608,560	0	(608,560)
Purchased and Contracted Services	996,827	0	(996,827)
Library Materials and Information	527,500	172,259	(355,241)
Supplies	100,376	0	(100,376)
Other	30,927	0	(30,927)
Capital Outlay	124,596	0	(124,596)
<i>Total Governmental Activities</i>	<u>\$4,493,228</u>	<u>\$172,259</u>	<u>(4,320,969)</u>
		General Receipts	
		Library and Local Government Support Fund	4,124,952
		Unrestricted Gifts and Contributions	15,001
		Earnings on Investments	63,777
		Miscellaneous	27,274
		Total General Receipts	<u>\$4,231,004</u>
		<i>Change in Net Assets</i>	(\$89,965)
		<i>Net Assets Beginning of Year</i>	<u>\$1,384,784</u>
		<i>Net Assets End of Year</i>	<u><u>\$1,294,819</u></u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$1,213,499</u>	<u>\$81,320</u>	<u>\$1,294,819</u>
<i>Total Assets</i>	<u><u>\$1,213,499</u></u>	<u><u>\$81,320</u></u>	<u><u>\$1,294,819</u></u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$51,242	\$9,098	\$60,340
Unreserved:			
Undesignated, Reported in:			
General Fund	1,162,257	0	1,162,257
Capital Projects Funds	<u>0</u>	<u>72,222</u>	<u>72,222</u>
<i>Total Fund Balances</i>	<u><u>\$1,213,499</u></u>	<u><u>\$81,320</u></u>	<u><u>\$1,294,819</u></u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Capital Projects Fund	Total Governmental Funds
Receipts			
Library and Local Government Support Fund	\$4,124,952	\$0	\$4,124,952
Library and Local Government Support Fund		0	0
Patron Fines and Fees	172,259	0	172,259
Services Provided to Other Entities	0	0	0
Services Provided to Others	0	0	0
Contributions, Gifts and Donations	15,001	0	15,001
Earnings on Investments	63,777	0	63,777
Miscellaneous	27,274	0	27,274
<i>Total Receipts</i>	<u>4,403,263</u>	<u>0</u>	<u>4,403,263</u>
Disbursements			
Current:			
Library Services:			
Salaries	2,104,442	0	2,104,442
Employee Fringe Benefits	608,560	0	608,560
Purchased and Contracted Services	996,827	0	996,827
Library Materials and Information	527,500	0	527,500
Supplies	100,376	0	100,376
Other	30,927	0	30,927
Capital Outlay	51,341	73,255	124,596
<i>Total Disbursements</i>	<u>4,419,973</u>	<u>73,255</u>	<u>4,493,228</u>
<i>Net Change in Fund Balances</i>	(16,710)	(73,255)	(89,965)
<i>Fund Balances Beginning of Year</i>	<u>1,230,209</u>	<u>154,575</u>	<u>1,384,784</u>
<i>Fund Balances End of Year</i>	<u>\$1,213,499</u>	<u>\$81,320</u>	<u>\$1,294,819</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Library and Local Government Support	\$4,416,698	\$4,416,698	\$4,124,952	(\$291,746)
Patron Fines and Fees	184,442	184,442	172,259	(12,183)
Contributions, Gifts and Donations	16,062	16,062	15,001	(1,061)
Earnings on Investments	68,288	68,288	63,777	(4,511)
Miscellaneous	29,203	29,203	27,274	(1,929)
<i>Total receipts</i>	<u>4,714,693</u>	<u>4,714,693</u>	<u>4,403,263</u>	<u>(311,430)</u>
Disbursements				
Current:				
Library Services:				
Salaries	2,178,100	2,178,100	2,104,442	73,658
Employee Fringe Benefits	633,300	639,300	614,084	25,216
Purchased and Contracted Services	1,017,142	1,069,483	998,398	71,085
Library Materials	584,460	587,041	567,857	19,184
Supplies	154,123	159,701	104,166	55,535
Other	1,238,358	1,171,858	30,927	1,140,931
Capital Outlay	139,419	139,419	51,341	88,078
<i>Total Disbursements</i>	<u>5,944,902</u>	<u>5,944,902</u>	<u>4,471,215</u>	<u>1,473,687</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,230,209)</u>	<u>(1,230,209)</u>	<u>(67,952)</u>	<u>1,162,257</u>
<i>Fund Balance Beginning of Year</i>	1,121,815	1,121,815	1,121,815	0
<i>Prior Year Encumbrances Appropriated</i>	<u>108,394</u>	<u>108,394</u>	<u>108,394</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$1,162,257</u></u>	<u><u>\$1,162,257</u></u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006**

	Governmental Activities
Assets	
Cash and Cash Equivalents	<u>\$1,384,784</u>
<i>Total Assets</i>	<u><u>\$1,384,784</u></u>
Net Assets	
Unrestricted	<u>1,384,784</u>
<i>Total Net Assets</i>	<u><u>\$1,384,784</u></u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Library Services:			
Salaries	\$2,004,491	\$0	(\$2,004,491)
Employee Fringe Benefits	557,294	0	(557,294)
Purchased and Contracted Services	910,336	0	(910,336)
Library Materials and Information	562,504	154,618	(407,886)
Supplies	104,576	0	(104,576)
Other	15,255	0	(15,255)
Capital Outlay	71,380	0	(71,380)
<i>Total Governmental Activities</i>	<u>\$4,225,836</u>	<u>\$154,618</u>	<u>(4,071,218)</u>
General Receipts			
			4,124,950
			10,860
			57,546
			27,968
			<u>\$4,221,324</u>
			\$150,106
			<u>\$1,234,678</u>
			<u>\$1,384,784</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$1,230,209</u>	<u>\$154,575</u>	<u>\$1,384,784</u>
<i>Total Assets</i>	<u><u>\$1,230,209</u></u>	<u><u>\$154,575</u></u>	<u><u>\$1,384,784</u></u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$108,394	\$0	\$108,394
Unreserved:			
Undesignated , Reported in:			
General Fund	1,121,815	0	1,121,815
Capital Projects Funds	<u>0</u>	<u>154,575</u>	<u>154,575</u>
<i>Total Fund Balances</i>	<u><u>\$1,230,209</u></u>	<u><u>\$154,575</u></u>	<u><u>\$1,384,784</u></u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Capital Projects Fund	Total Governmental Funds
Receipts			
Library and Local Government Support Fund	\$4,124,950	\$0	\$4,124,950
Patron Fines and Fees	154,618	0	154,618
Contributions, Gifts and Donations	10,860	0	10,860
Earnings on Investments	57,546	0	57,546
Miscellaneous	27,968	0	27,968
<i>Total Receipts</i>	<u>4,375,942</u>	<u>0</u>	<u>4,375,942</u>
Disbursements			
Current:			
Library Services:			
Salaries	2,004,491	0	2,004,491
Employee Fringe Benefits	557,294	0	557,294
Purchased and Contracted Services	910,336	0	910,336
Library Materials and Information	562,504	0	562,504
Supplies	104,576	0	104,576
Other	15,255	0	15,255
Capital Outlay	39,911	31,469	71,380
<i>Total Disbursements</i>	<u>4,194,367</u>	<u>31,469</u>	<u>4,225,836</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>181,575</u>	<u>(31,469)</u>	<u>150,106</u>
Other Financing Sources (Uses)			
Transfers In	0	100,000	100,000
Transfers Out	(100,000)	0	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(\$100,000)</u>	<u>\$100,000</u>	<u>\$0</u>
<i>Net Change in Fund Balances</i>	81,575	68,531	150,106
<i>Fund Balances Beginning of Year</i>	<u>1,148,634</u>	<u>86,044</u>	<u>1,234,678</u>
<i>Fund Balances End of Year</i>	<u>\$1,230,209</u>	<u>\$154,575</u>	<u>\$1,384,784</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts				
Library and Local Government Support	\$4,100,000	\$4,100,000	\$4,124,950	\$24,950
Patron Fines and Fees	153,683	153,683	154,618	935
Contributions, Gifts and Donations	10,794	10,794	10,860	66
Earnings on Investments	57,198	57,198	57,546	348
Miscellaneous	27,799	27,799	27,968	169
<i>Total receipts</i>	<u>4,349,474</u>	<u>4,349,474</u>	<u>4,375,942</u>	<u>26,468</u>
Disbursements				
Current:				
Library Services:				
Salaries	2,096,000	2,096,000	2,004,491	91,509
Employee Fringe Benefits	625,700	625,700	559,394	66,306
Purchased and Contracted Services	992,878	1,037,178	910,528	126,650
Library Materials	600,333	600,333	587,264	13,069
Supplies	153,509	154,209	106,499	47,710
Other	911,170	751,170	15,255	735,915
Capital Outlay	117,000	132,000	119,330	12,670
<i>Total Disbursements</i>	<u>5,496,590</u>	<u>5,396,590</u>	<u>4,302,761</u>	<u>1,093,829</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,147,116)</u>	<u>(1,047,116)</u>	<u>73,181</u>	<u>1,120,297</u>
Other Financing Uses				
Transfers Out	-	100,000	100,000	-
Net Change in Fund Balance	(1,147,116)	(1,147,116)	(26,819)	1,120,297
<i>Fund Balance Beginning of Year</i>	1,008,265	1,008,265	1,008,265	0
<i>Prior Year Encumbrances Appropriated</i>	<u>140,369</u>	<u>140,369</u>	<u>140,369</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,518</u>	<u>\$1,518</u>	<u>\$1,121,815</u>	<u>\$1,120,297</u>

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 1 – Description of the Library and Reporting Entity

The Southwest Public Libraries, Franklin County (the Library) were organized as a school district public library (boundaries are coterminous with South-Western City Schools) in 1923 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the South-Western City Schools Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

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

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations which are included to ensure the basic financial statements are not misleading. The primary government of the Library consists of all funds, departments, boards, and agencies that are not legally separate from the Library. The Library is a member of a jointly governed organization (Central Crossing Library) with the South-Western City School District. See Note 11 for further information.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Ohio Public Library have been prepared on a *modified* 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

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

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

A. Fund Accounting

The Library uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are all classified as governmental.

Governmental Funds

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

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

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

B. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

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

C. Budgetary Process

Ohio law requires the Library to budget and appropriate all funds. The appropriations resolution is the Trustees' authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and major object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

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

D. Cash and Cash Equivalents

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

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

During 2006 and 2007, investments were limited to an overnight repurchase agreement and STAR Ohio. Except for STAR Ohio, investments are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006 and December 31, 2007.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents (Continued)

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2006 amounted to \$57,546. Interest revenue credited to the General Fund during 2007 amounted to \$63,777.

E. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. There were no restricted assets as of December 31, 2007 or 2006.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for its employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay are reported at inception. Lease payments are reported when paid. At December 31, 2007 and 2006, the Library had no long-term obligations.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2007 and 2006, the Library had no restricted net assets.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 - Deposits and Investments

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

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

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

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

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

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

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 3 - Deposits and Investments (Continued)

7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

At year end 2006 and at year end 2007, the Library had \$ 650 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

At year end 2006 and year end 2007, the Library's bank balance was \$40,000. The entire balance was covered by federal depository insurance.

Investments

As of December 31, 2006, the Library had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Maturity</u>
Repurchase Agreement	\$477,889	Less than 30 days
STAR Ohio	\$917,647	Less than 30 days
2006 Total Investments	<u>\$1,395,536</u>	

As of December 31, 2007, the Library had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Maturity</u>
Repurchase Agreement	\$496,546	Less than 30 days
STAR Ohio	\$965,202	Less than 30 days
2007 Total Investments	<u>\$1,461,748</u>	

Interest Rate Risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. The Library investment policy also limits security purchases to those that of an overnight repurchase agreement which matures daily. To date, no investments have been purchased with a life greater than one year.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 3 - Deposits and Investments (Continued)

Credit Risk – The underlying securities of the repurchase agreement and investment in STAR Ohio carry a rating of AAA by Standard and Poor’s. STAR Ohio carries a rating of AAAm by Standard and Poor’s. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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. The Library’s investments at December 31, 2006 in the repurchase agreement and STAR Ohio represent 32 percent and 68 percent, respectively, of the Library’s total investments. The Library’s investments at December 31, 2007 in the repurchase agreement and STAR Ohio represent 23 percent and 77 percent, respectively, of the Library’s total investments.

Note 4 – Library and Local Government Support Fund Revenues

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

Note 5 - 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 2006 and 2007, the Library contracted with two companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Auto Owners	Commercial Property	\$13,291,000
Auto Owners	General Liability	4,000,000
Auto Owners	Vehicle	1,000,000
Utica	Errors and Omissions	3,000,000
Utica	Library Officials	3,000,000
Auto Owners	Fidelity and Deposit	20,000

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

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

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 6 - Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

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

investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East

Note 6 – Defined Benefit Pension Plan (continued)

Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.65 percent. For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2007 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations for all plans for the years ended December 31, 2006, 2005, and 2004 were \$272,791, \$276,496, and \$285,160 respectively.

Note 7 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 7 - Postemployment Benefits (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$147,863. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 8 – 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 is owned by Nationwide Development Corporation. The Library disbursed \$282,819 and \$261,696, respectively, to pay lease costs for the year ended December 31, 2007 and 2006. Future lease payments are as follows:

Year	Amount
2008	\$276,216
2009	276,216
2010	276,216
2011	276,216
2012	276,216
2013-2015	828,648
Total	\$2,569,070

Part of the Library's lease payment is for property taxes incurred by Nationwide Development. Future additional property taxes will cause the amounts listed above to increase by the amount of the property tax attributable to the 4740 West Broad Street location. It is not possible to predict when these increases may occur or what the amounts of the increases will be.

Note 9 – Interfund Transfers:

During 2006, \$100,000 was transferred from the General Fund to the Capital Projects Fund. There were no interfund transfers during 2007.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 10 – Contingent Liabilities

The Library was not a party to any lawsuits or any litigation as of December 31, 2006, or December 31, 2007 and is not currently a defendant in any legal case.

Note 11 – Jointly Governed Organization

During 2006 and 2007, the Library jointly operated the Central Crossing Library with the South-Western City School District (SWCS), Grove City, Ohio. The Central Crossing Library is part of Central Crossing High School and is located at 4500 B Big Run Road, South, Grove City, Ohio 43123. The Library entered into an agreement with SWCS in 2000 to establish the joint venture. The building is owned and operated by SWCS and SWCS is responsible for all physical plant maintenance and upkeep. The Library operates Central Crossing Library as a public library in the evenings and on Saturdays and SWCS operates it as a high school library during school days. The library is responsible for staffing Central Crossing when it operates as a public library and for purchasing the library materials. SWCS is responsible for staffing during school days, maintenance and custodial work, and the acquisition and operation of all technology required to operate Central Crossing.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the 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, 2007 and 2006 which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

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

We intend this report solely for the information and use of the finance committee, management, and Library Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 8, 2008



Mary Taylor, CPA
Auditor of State

SOUTHWEST PUBLIC LIBRARY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 9, 2008**