



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, 2009 and 2008 which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of Southwest Public Library, Franklin County, Ohio as of December 31, 2009 and 2008, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2010, 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

June 16, 2010

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
*Unaudited***

This discussion and analysis of Southwest Public Library (The Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2009 and 2008, within the limitations of the Library's cash basis of 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 2009 are as follows:

Net assets of governmental activities decreased \$25,865 or just under two percent, from the prior year. The General Fund decreased by \$25,865 and the Capital Projects Fund was unchanged from year-end 2008. The decrease in the General Fund was the result of decreases in expenditures for employee salaries, employee benefits, supplies, purchased and contracted services, library materials, and capital equipment. However, in spite of reductions in all expenditure categories, revenues received from the State of Ohio declined even more. Revenue from the Public Library Fund declined a precipitous 17.8 percent from 2008 levels. Library management became increasingly concerned as the drop in revenue accelerated throughout 2009 and took steps to reduce General Fund expenditures through staff layoffs, instituting unpaid furloughs, and making deep cuts to purchases of library materials and equipment. In addition, the Library's operating hours were reduced from 65 hours per week to 47 hours per week, effective August 3, 2009. The Library's Central Crossing location was closed as of June 4, 2009 as a result of the significant drop in revenue from the State of Ohio. The Capital Projects Fund balance was unchanged during the year since no funds were expended from that 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 General Revenue Fund taxes collected by the State of Ohio. These funds are distributed through the Public Library Fund (PLF). These receipts represent 92.3 percent of the total cash received for governmental activities during the year. The PLF was established to provide libraries with 2.2% of all General Revenue Fund Taxes. The list of taxes included in the PLF is as follows: Auto Sales and Use, Non-Auto Sales and Use, Personal Income, Corporate Franchise, Public Utility, Kilowatt-Hour, Domestic Insurance, Misc. Business and Property, Cigarette, Alcoholic Beverage, Liquor Gallonage, Estate, and Commercial Activity. However, due to ongoing budget difficulties, the Ohio General Assembly reduced the percentage of General Revenue Fund taxes allocated to public libraries to 1.97% in August, 2009. The remaining revenue received by the Library comes from fines and fees levied on patrons, interest earned on funds invested, donations to the Library, and other miscellaneous sources. The Library 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 declined from 92 to 68, as a result of ongoing significant budget cuts. 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 PLF.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**
*Unaudited
(Continued)*

Key highlights for 2008 are as follows:

Net assets of governmental activities increased \$12,131 or just under one percent, from the prior year. The General Fund increased by \$53,609 and the Capital Projects Fund decreased by \$41,478. The increase in the General Fund was the result of decreases in expenditures for employee salaries, purchased and contracted services, library materials, and capital equipment. Library management became increasingly concerned throughout 2008 that economic conditions in the United States in general and Ohio in particular were deteriorating and took steps to reduce General Fund expenditures in expectation of a decline in revenue received from the State of Ohio. The decrease in the Capital Projects Fund was due to capital expenditures computer equipment and building repairs 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 Public Library Fund (PLF), formerly known as the Library and Local Government Support Fund (LLGSF). As previously written into law, the LLGSF was 5.7% of state income tax collected. However, since 2001, the LLGSF was frozen by the Ohio General Assembly and libraries did not receive 5.7% of state income tax collected. These receipts represent 94.0 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 took 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 PLF is as follows: Auto Sales and Use, Non-Auto Sales and Use, Personal Income, Corporate Franchise, Public Utility, Kilowatt-Hour, Domestic Insurance, Misc. Business and Property, Cigarette, Alcoholic Beverage, Liquor Gallonage, Estate, and Commercial Activity. 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 increased slightly from 90 to 92. 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 PLF 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 cash basis of accounting.

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the Library as a whole.

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

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
*Unaudited
(Continued)***

Using the Basic Financial Statements - (continued)

Report Components – (continued)

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

Basis of Accounting

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

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

Reporting the Library as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Library did financially during 2009 and 2008, within the limitations of cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

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

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

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
*Unaudited
(Continued)***

Reporting the Library's Most Significant Funds

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

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

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2009 compared to 2008 and 2008 to 2007 on a cash basis:

(Table 1)
Net Assets

| | <u>Governmental Activities</u> | | |
|---------------------------|--------------------------------|---------------------|---------------------|
| | 2009 | 2008 | 2007 |
| Assets | | | |
| Cash and Cash Equivalents | <u>\$ 1,281,085</u> | <u>\$ 1,306,950</u> | <u>\$ 1,294,819</u> |
| Total Assets | <u>1,281,085</u> | <u>1,306,950</u> | <u>1,294,819</u> |
| Net Assets | | | |
| Unrestricted | <u>1,281,085</u> | <u>1,306,950</u> | <u>1,294,819</u> |
| Total Net Assets | <u>\$ 1,281,085</u> | <u>\$ 1,306,950</u> | <u>\$ 1,294,819</u> |

As mentioned previously, net assets of governmental activities decreased \$25,865 or just under two percent during 2009 and increased \$12,131 or just under one percent during 2008. The primary factors contributing to the decrease and increase in cash balances are as follows:

- Revenue from the PLF decreased \$722,466 from 2008 levels and decreased \$66,572 from 2007 levels. Other revenue sources increased \$21,785 from 2008 and decreased \$20,011 from 2007.
- Expenditures for governmental activities decreased by \$662,685 and \$188,589 from 2008 and 2007 levels, respectively. This was primarily due to a decrease in expenditures for salaries, employee benefits, supplies, purchased and contracted services, library materials, and capital equipment as mentioned earlier.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
*Unaudited
(Continued)***

The Library as a Whole – (continued)

Table 2 reflects the changes in net assets in 2009 and 2008.

| (Table 2) | | | |
|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Changes in Net Assets | | | |
| | Governmental Activities 2009 | Governmental Activities 2008 | Governmental Activities 2007 |
| Receipts: | | | |
| Program Receipts: | | | |
| Patron Fines and Fees | \$170,958 | \$183,238 | \$172,259 |
| Total Program Receipts | 170,958 | 183,238 | 172,259 |
| General Receipts: | | | |
| Public Library Fund Receipts | 3,335,914 | 4,058,380 | 4,124,952 |
| Unrestricted Gifts and Contributions | 38,238 | 13,081 | 15,001 |
| Earnings on Investments | 2,893 | 28,616 | 63,777 |
| Miscellaneous | 68,086 | 33,455 | 27,274 |
| Total General Receipts | 3,445,131 | 4,133,532 | 4,231,004 |
| Total Receipts | 3,616,089 | 4,316,770 | 4,403,263 |
| Disbursements: | | | |
| Salaries | 1,820,349 | 2,058,786 | 2,104,442 |
| Employee Fringe Benefits | 582,029 | 628,833 | 608,560 |
| Purchased and Contracted Services | 907,371 | 937,388 | 996,827 |
| Library Materials and Information | 190,541 | 466,754 | 527,500 |
| Supplies | 88,069 | 101,560 | 100,376 |
| Other | 33,040 | 34,760 | 30,927 |
| Capital Outlay | 20,555 | 76,558 | 124,596 |
| Total Disbursements | 3,641,954 | 4,304,639 | 4,493,228 |
| Increase (Decrease) in Net Assets | (25,865) | 12,131 | (89,965) |
| Net Assets, January 1, 2009 | 1,306,950 | 1,294,819 | 1,384,784 |
| Net Assets, December 31, 2009 | \$1,281,085 | \$1,306,950 | \$1,294,819 |

During 2009 and 2008, program receipts represent only 4.7 percent and 4.2 percent of total receipts and are primarily comprised of overdue fines and fees for using photocopiers and printers.

For 2009, general receipts represent 95.3 percent of the Library's total receipts, and of this amount, 96.8 percent are from the PLF. Donations, interest, and miscellaneous expenses make up the balance of the Library's general receipts (3.2 percent).

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
*Unaudited
(Continued)***

The Library as a Whole – (continued)

For 2008, general receipts represent 95.8 percent of the Library's total receipts, and of this amount, 98.2 percent are from the PLF. Donations, interest, and miscellaneous expenses make up the balance of the Government's general receipts (1.8 percent).

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

Governmental Activities

If you look at the Statement of Activities on pages 12 and 17, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Salaries and Purchased and Contract Services, which account for 74.9 and 78.6 percent of all governmental disbursements, respectively, for both 2009 and 2008. 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 2009 | Net Cost of Services 2009 | Total Cost of Services 2008 | Net Cost of Services 2008 |
|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Salaries | \$1,820,349 | \$1,820,349 | \$2,058,786 | \$2,058,786 |
| Employee Fringe Benefits | 582,029 | 582,029 | 628,833 | 628,833 |
| Purchased and Contracted Services | 907,371 | 907,371 | 937,388 | 937,388 |
| Library Materials and Information | 190,541 | 19,583 | 466,754 | 283,516 |
| Supplies | 88,069 | 88,069 | 101,560 | 101,560 |
| Other | 33,040 | 33,040 | 34,760 | 34,760 |
| Capital Outlay | 20,555 | 20,555 | 76,558 | 76,558 |
| Total Expenses | \$3,641,954 | \$3,470,996 | \$4,304,639 | \$4,121,401 |

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
*Unaudited
(Continued)***

Governmental Activities – (continued)

The dependence upon Library and Local Government Support is apparent as over 95.3 and 95.7 percent, respectively, of governmental activities are supported through these general receipts for 2009 and 2008.

The Library's Funds

For 2009, total governmental funds had receipts of \$3,616,089 and disbursements of \$3,641,954. The General Fund decreased by \$25,865 and the Capital Projects Fund was unchanged from 2008. The fund balance of the General Fund decreased by \$25,865 as result of substantially decreased revenues combined with significant decreases in expenditures for employee salaries, employee benefits, supplies, purchased and contracted services, Library materials, and capital equipment from cost cutting measures. The fund balance of the Capital Projects Fund was unchanged from 2008, due to no activity.

For 2008, total governmental funds had receipts of \$4,316,770 and disbursements of \$4,304,639. The General Fund increased by \$53,609 and the Capital Projects Fund declined by \$41,478. The fund balance of the General Fund increased by \$53,609 as result of moderately decreased revenues combined with significant decreases in expenditures for employee salaries, purchased and contracted services, library materials, and capital equipment from cost cutting measures. The fund balance of the Capital Projects Fund decreased \$41,478 as the result of \$41,478 of expenditures for furniture, equipment, and Library repairs.

General Fund Budgeting Highlights

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

During 2009, the Library did not amend its General Fund budget in total. During 2008, the Library reduced its General Fund budget from the original budget by \$102,932. Final General Fund receipts were below original budgeted receipts due to shortfalls in receipts from the PLF as a result of declines in tax collections by the State of Ohio. The Library did not amend its budget as a result of these changes since steps were taken to reduce expenditures to better align expenses with expected revenue.

In 2009, final disbursements were budgeted at \$5,275,854 (of which \$876,431 was appropriated as a contingency with no plans for being spent) while actual expenditures were \$3,659,052. In 2008, final disbursements were budgeted at \$5,512,640 (of which \$786,823 was appropriated as a contingency with no plans for being spent) while actual expenditures were \$4,289,434. Since expenditures were significantly below the total amount appropriated, no reduction in appropriations occurred. The Library has kept spending below budgeted amounts as demonstrated by the positive variance between the amount budgeted and the amount expended.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2009 and 2008, the Library had no outstanding debt.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

*Unaudited
(Continued)*

Current Issues

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases substantially shrinking funding. We rely heavily on the PLF 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. However, the Ohio General Assembly reduced the percentage of General Revenue Funds from 2.22% to 1.97% in July, 2009 in response to a substantial drop in tax revenues collected by the state. During the third and fourth quarters of 2008, U.S. financial markets experienced severe declines as the result of a credit crisis related to defaulted mortgage securities. As 2009 progressed, the U.S. and Ohio economies experienced a severe recession, significantly reducing tax collection and having a substantial negative impact on library funding. The future of library funding is extremely uncertain since the Ohio budget cycle that begins in 2011 will have a structural deficit of several billion dollars. It is possible that the Ohio General Assembly will reduce library funding further in response to continued weakness in tax collections. The Library Board of Trustees considered an attempt to pass a local property tax levy during 2009 to address the severe shortfall in funding but decided against such an attempt due to the extremely negative political climate in the Library's district. The Library has attempted to pass a property tax seven times in the last twenty four years but with no success.

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. At the end of 2009, the Library's Board of Trustees was seriously considering another attempt at passing a property tax levy in 2010 but no decision had been made as of the end of 2009. 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 further material decline in funding could result in even more 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/Fiscal Officer, Southwest Public Libraries, 3359 Park Street., Grove City, Ohio 43123.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

***Statement of Net Assets - Cash Basis
December 31, 2009***

| | <u>Governmental Activities</u> |
|---------------------------|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | <u>\$1,281,085</u> |
| <i>Total Assets</i> | <u><u>1,281,085</u></u> |
| | |
| Net Assets | |
| Unrestricted | <u>1,281,085</u> |
| <i>Total Net Assets</i> | <u><u>\$1,281,085</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, 2009***

| | 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 | \$1,820,349 | \$0 | (\$1,820,349) |
| Employee Fringe Benefits | 582,029 | 0 | (582,029) |
| Purchased and Contracted Services | 907,371 | 0 | (907,371) |
| Library Materials and Information | 190,541 | 170,958 | (19,583) |
| Supplies | 88,069 | 0 | (88,069) |
| Other | 33,040 | 0 | (33,040) |
| Capital Outlay | 20,555 | 0 | (20,555) |
| Total Governmental Activities | \$3,641,954 | \$170,958 | (3,470,996) |

General Receipts

| | |
|--------------------------------------|--------------------|
| Public Library Fund | 3,335,914 |
| Unrestricted Gifts and Contributions | 38,238 |
| Earnings on Investments | 2,893 |
| Miscellaneous | 68,086 |
| Total General Receipts | 3,445,131 |
| <i>Change in Net Assets</i> | <i>(25,865)</i> |
| <i>Net Assets Beginning of Year</i> | <i>1,306,950</i> |
| <i>Net Assets End of Year</i> | <i>\$1,281,085</i> |

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, 2009***

| | <u>General</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|--|--------------------|--------------------------------------|---|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,241,243 | \$ 39,842 | \$ 1,281,085 |
| <i>Total Assets</i> | <u>1,241,243</u> | <u>39,842</u> | <u>1,281,085</u> |
| Fund Balances | | | |
| Reserved: | | | |
| Reserved for Encumbrances | 17,138 | - | 17,138 |
| Unreserved: | | | |
| Undesignated, Reported in: | | | |
| General Fund | 1,224,105 | - | 1,224,105 |
| Capital Projects Funds | - | 39,842 | 39,842 |
| <i>Total Fund Balances</i> | <u>\$1,241,243</u> | <u>\$39,842</u> | <u>\$1,281,085</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, 2009**

| | General | Capital Projects Fund | Total Governmental Funds |
|--|---------------------|-----------------------------|--------------------------------|
| Receipts | | | |
| Public Library Fund | \$ 3,335,914 | \$ - | \$ 3,335,914 |
| Patron Fines and Fees | 170,958 | - | 170,958 |
| Contributions, Gifts and Donations | 38,238 | - | 38,238 |
| Earnings on Investments | 2,893 | - | 2,893 |
| Miscellaneous | 68,086 | - | 68,086 |
| <i>Total Receipts</i> | <u>3,616,089</u> | <u>-</u> | <u>3,616,089</u> |
| Disbursements | | | |
| Current: | | | |
| Library Services: | | | |
| Salaries | 1,820,349 | - | 1,820,349 |
| Employee Fringe Benefits | 582,029 | - | 582,029 |
| Purchased and Contracted Services | 907,371 | - | 907,371 |
| Library Materials and Information | 190,541 | - | 190,541 |
| Supplies | 88,069 | - | 88,069 |
| Other | 33,040 | - | 33,040 |
| Capital Outlay | 20,555 | - | 20,555 |
| <i>Total Disbursements</i> | <u>3,641,954</u> | <u>-</u> | <u>3,641,954</u> |
| <i>Net Change in Fund Balances</i> | (25,865) | - | (25,865) |
| <i>Fund Balances Beginning of Year</i> | <u>1,267,108</u> | <u>39,842</u> | <u>1,306,950</u> |
| <i>Fund Balances End of Year</i> | <u>\$ 1,241,243</u> | <u>\$ 39,842</u> | <u>\$ 1,281,085</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, 2009**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Receipts | | | | |
| Public Library Fund | \$3,780,746 | \$3,780,746 | \$3,335,914 | (\$444,832) |
| Patron Fines and Fees | 170,000 | 170,000 | 170,958 | 958 |
| Contributions, Gifts and Donations | 12,000 | 12,000 | 38,238 | 26,238 |
| Earnings on Investments | 25,000 | 25,000 | 2,893 | (22,107) |
| Miscellaneous | 21,000 | 21,000 | 68,086 | 47,086 |
| <i>Total receipts</i> | <u>4,008,746</u> | <u>4,008,746</u> | <u>3,616,089</u> | <u>(392,657)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Salaries | 2,271,100 | 2,071,100 | 1,820,349 | 250,751 |
| Employee Fringe Benefits | 642,800 | 658,800 | 582,029 | 76,771 |
| Purchased and Contracted Services | 1,072,375 | 1,078,075 | 913,344 | 164,731 |
| Library Materials | 281,215 | 301,215 | 195,779 | 105,436 |
| Supplies | 184,233 | 184,233 | 90,929 | 93,304 |
| Other | 46,000 | 46,000 | 33,040 | 12,960 |
| Contingency | 718,131 | 876,431 | 0 | 876,431 |
| Capital Outlay | 60,000 | 60,000 | 23,622 | 36,378 |
| <i>Total Disbursements</i> | <u>5,275,854</u> | <u>5,275,854</u> | <u>3,659,092</u> | <u>1,616,762</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(1,267,108)</u> | <u>(1,267,108)</u> | <u>(43,003)</u> | <u>1,224,105</u> |
| <i>Fund Balance Beginning of Year</i> | 1,240,835 | 1,240,835 | 1,240,835 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | <u>26,273</u> | <u>26,273</u> | <u>26,273</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$0</u> | <u>\$0</u> | <u>\$1,224,105</u> | <u>\$1,224,105</u> |

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

***Statement of Net Assets - Cash Basis
December 31, 2008***

| | <u>Governmental Activities</u> |
|---------------------------|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | <u>\$1,306,950</u> |
| <i>Total Assets</i> | <u><u>1,306,950</u></u> |
| | |
| Net Assets | |
| Unrestricted | <u>1,306,950</u> |
| <i>Total Net Assets</i> | <u><u>\$1,306,950</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, 2008***

| | 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 | \$2,058,786 | \$0 | (\$2,058,786) |
| Employee Fringe Benefits | 628,833 | 0 | (628,833) |
| Purchased and Contracted Services | 937,388 | 0 | (937,388) |
| Library Materials and Information | 466,754 | 183,238 | (283,516) |
| Supplies | 101,560 | 0 | (101,560) |
| Other | 34,760 | 0 | (34,760) |
| Capital Outlay | 76,558 | 0 | (76,558) |
| Total Governmental Activities | \$4,304,639 | \$183,238 | (4,121,401) |
| | | General Receipts | |
| | | Public Library Fund | 4,058,380 |
| | | Unrestricted Gifts and Contributions | 13,081 |
| | | Earnings on Investments | 28,616 |
| | | Miscellaneous | 33,455 |
| | | Total General Receipts | 4,133,532 |
| | | <i>Change in Net Assets</i> | 12,131 |
| | | <i>Net Assets Beginning of Year</i> | 1,294,819 |
| | | <i>Net Assets End of Year</i> | \$1,306,950 |

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, 2008***

| | <u>General</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--------------------------------------|---|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,267,108 | \$ 39,842 | \$ 1,306,950 |
| <i>Total Assets</i> | <u>1,267,108</u> | <u>39,842</u> | <u>1,306,950</u> |
| Fund Balances | | | |
| Reserved: | | | |
| Reserved for Encumbrances | 26,273 | - | 26,273 |
| Unreserved: | | | |
| Undesignated, Reported in: | | | |
| General Fund | 1,240,835 | - | 1,240,835 |
| Capital Projects Funds | - | 39,842 | 39,842 |
| <i>Total Fund Balances</i> | <u>\$ 1,267,108</u> | <u>\$ 39,842</u> | <u>\$ 1,306,950</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, 2008**

| | General | Capital Projects Fund | Total Governmental Funds |
|--|---------------------|-----------------------------|--------------------------------|
| Receipts | | | |
| Public Library Fund | \$ 4,058,380 | \$ - | \$ 4,058,380 |
| Patron Fines and Fees | 183,238 | - | 183,238 |
| Contributions, Gifts and Donations | 13,081 | - | 13,081 |
| Earnings on Investments | 28,616 | - | 28,616 |
| Miscellaneous | 33,455 | - | 33,455 |
| <i>Total Receipts</i> | <u>4,316,770</u> | <u>-</u> | <u>4,316,770</u> |
| Disbursements | | | |
| Current: | | | |
| Library Services: | | | |
| Salaries | 2,058,786 | - | 2,058,786 |
| Employee Fringe Benefits | 628,833 | - | 628,833 |
| Purchased and Contracted Services | 937,388 | - | 937,388 |
| Library Materials and Information | 466,754 | - | 466,754 |
| Supplies | 101,560 | - | 101,560 |
| Other | 34,760 | - | 34,760 |
| Capital Outlay | 35,080 | 41,478 | 76,558 |
| <i>Total Disbursements</i> | <u>4,263,161</u> | <u>41,478</u> | <u>4,304,639</u> |
| <i>Net Change in Fund Balances</i> | 53,609 | (41,478) | 12,131 |
| <i>Fund Balances Beginning of Year</i> | <u>1,213,499</u> | <u>81,320</u> | <u>1,294,819</u> |
| <i>Fund Balances End of Year</i> | <u>\$ 1,267,108</u> | <u>\$ 39,842</u> | <u>\$ 1,306,950</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, 2008***

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|--------------------|---|
| | Original | Final | Actual | |
| Receipts | | | | |
| Public Library Fund | \$4,157,074 | \$4,157,074 | \$4,058,380 | (\$98,694) |
| Patron Fines and Fees | 183,000 | 183,000 | 183,238 | 238 |
| Contributions, Gifts and Donations | 9,000 | 9,000 | 13,081 | 4,081 |
| Earnings on Investments | 30,000 | 30,000 | 28,616 | (1,384) |
| Miscellaneous | 23,000 | 23,000 | 33,455 | 10,455 |
| <i>Total receipts</i> | <u>4,402,074</u> | <u>4,402,074</u> | <u>4,316,770</u> | <u>(85,304)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Salaries | 2,174,320 | 2,174,320 | 2,058,786 | 115,534 |
| Employee Fringe Benefits | 650,504 | 656,504 | 628,833 | 27,671 |
| Purchased and Contracted Services | 1,068,221 | 1,085,221 | 937,913 | 147,308 |
| Library Materials | 545,282 | 545,282 | 491,969 | 53,313 |
| Supplies | 157,490 | 158,490 | 102,093 | 56,397 |
| Other | 46,000 | 46,000 | 34,760 | 11,240 |
| Contingency | 913,755 | 786,823 | 0 | 786,823 |
| Capital Outlay | 60,000 | 60,000 | 35,080 | 24,920 |
| <i>Total Disbursements</i> | <u>5,615,572</u> | <u>5,512,640</u> | <u>4,289,434</u> | <u>1,223,206</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(1,213,498)</u> | <u>(1,110,566)</u> | <u>27,336</u> | <u>1,137,902</u> |
| <i>Fund Balance Beginning of Year</i> | 1,162,257 | 1,162,257 | 1,162,257 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | <u>51,242</u> | <u>51,242</u> | <u>51,242</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$1</u> | <u>\$102,933</u> | <u>\$1,240,835</u> | <u>\$1,137,902</u> |

See accompanying notes to the basic financial statements

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

Note 1 – Description of the Library and Reporting Entity

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

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

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations which are included to ensure the basic financial statements are not misleading. The primary government of the Library consists of all funds, departments, boards, and agencies that are not legally separate from the Library. The Library is a member of a jointly governed organization (Central Crossing Library – organization terminated, effective June 4, 2009) 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

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

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

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 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 taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

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

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

B. Basis of Presentation

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

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Library as a whole. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the cash balance of the governmental funds of the Library at year end. The Statement of Activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by object. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. 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.

**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

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

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

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

D. Cash and Cash Equivalents

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

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

During 2009 and 2008, investments were limited to an overnight repurchase agreement and STAR Ohio. Investments, except for STAR Ohio, 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, 2009 and December 31, 2008.

**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 2009 amounted to \$2,893, of which \$90 represents interest assigned from other funds. Interest revenue credited to the general fund during 2008 amounted to \$28,616, of which \$872 represents interest assigned from other funds.

E. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. There were no restricted assets as of December 31, 2009 or 2008.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for its employer contributions to cost-sharing pension plans when they are paid. As described in Notes 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, 2009 and 2008, the Library had no long-term obligations.

**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)

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, 2009 and 2008, the Library had no restricted net assets.

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 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$17,138 and \$26,273 for 2009 and 2008 respectively for the General Fund.

Note 4 - Deposits and Investments

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

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

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

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

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;

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

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

Note 4 - Deposits and Investments - (continued)

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

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

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

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

At year end 2009 and year end 2008, 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, December 31, 2009, the Library's bank balance was \$330,445. At year end, December 31, 2008, the Library's bank balance was \$40,000. For both years, the entire balance was covered by federal depository insurance (FDIC) and a single collateral pool established by Huntington National Bank. At December 31, 2009, \$80,445 of the Library's bank balance of \$330,445 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

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

Note 4 - Deposits and Investments - (continued)

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

Investments

As of December 31, 2009, the Library had the following investments:

| Investment Type | <u>Carrying Value</u> | <u>Maturity</u> |
|------------------------|-----------------------|------------------|
| STAR Ohio | \$993,308 | Less than 1 year |
| 2009 Total Investments | <u>\$993,308</u> | |

As of December 31, 2008, the Library had the following investments:

| Investment Type | <u>Carrying Value</u> | <u>Maturity</u> |
|------------------------|-----------------------|------------------|
| Repurchase Agreement | \$326,545 | Less than 1 year |
| STAR Ohio | \$990,499 | Less than 1 year |
| 2008 Total Investments | <u>\$1,317,044</u> | |

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

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

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, 2009, the Library’s investments in STAR Ohio, represent 100 percent of the Library’s total investments. At December 31, 2008, the Library’s investments in the repurchase agreement and STAR Ohio, represent 25 percent and 75 percent, respectively, of the Library’s total investments.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

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

Note 5 – Public Library Fund Revenues

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF), formerly known as the State Library and Local Government Support Fund (LLGSF). The State allocates PLF 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 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 2009 and 2008, the Library contracted with companies for various types of insurance coverage as follows:

2009 Insurance Coverage:

| <u>Company</u> | <u>Type of Coverage</u> | <u>Coverage</u> |
|----------------|---|-----------------|
| Auto-Owners | Commercial Property | \$11,145,950 |
| Auto-Owners | Property General Liability | \$4,000,000 |
| U.S. Liability | Employer Liability | \$4,000,000 |
| Auto-Owners | Employee Benefits Liability | \$1,000,000 |
| U.S. Liability | Public Officials Liability Coverage | \$4,000,000 |
| Auto-Owners | Automobile Liability | \$4,000,000 |
| Auto-Owners | Electronic Equipment | \$688,272 |
| Auto-Owners | Crime Coverage, Including Public Employee Dishonesty | \$50,000 |

2008 Insurance Coverage:

| <u>Company</u> | <u>Type of Coverage</u> | <u>Coverage</u> |
|----------------|---|-----------------|
| Ohio Plan | Commercial Property | \$10,582,900 |
| Ohio Plan | Property General Liability | \$6,000,000 |
| Ohio Plan | Employer Liability | \$4,000,000 |
| Ohio Plan | Employee Benefits Liability | \$3,000,000 |
| Ohio Plan | Public Officials Liability Coverage | \$6,000,000 |
| Ohio Plan | Automobile Liability | \$4,000,000 |
| Ohio Plan | Electronic Equipment | \$688,272 |
| Ohio Plan | Crime Coverage, Including Public Employee Dishonesty | \$50,000 |

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 7 - Defined Benefit Pension Plan

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

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

For the years ended December 31, 2009 and 2008, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for the years ended December 31, 2009 and 2008, was 14.0 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, 2009, 2008, and 2007 were \$255,137, \$284,809, and \$287,274 respectively. The full amount has been contributed for 2009, 2008 and 2007.

Note 8 - Postemployment Benefits

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

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

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

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

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

Note 8 - Postemployment Benefits - (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009 and 2008, local government employers contributed 14 percent of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 5.5 percent of covered payroll for 2009 and 2008.

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

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2009, 2008, and 2007 were \$14,033, \$19,937, and \$17,236 respectively; 100 percent has been contributed for 2009, 2008 and 2007.

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

Note 9 – Operating Lease

The Library leases the building that houses the Westland Area Library located at 4740 West Broad Street, Columbus, Ohio 43228. The building is part of the Lincoln Village Shopping Center and was owned by Nationwide Development Corporation of Columbus Ohio until September, 2009, when it was acquired by Echo Property Development of Pittsburgh, Pennsylvania. The terms of the original lease agreement with Nationwide Development continue to be in effect. The Library disbursed \$270,416 to pay lease costs for the year ended December 31, 2009 and disbursed \$258,342 to pay lease costs for the year ended December 31, 2008. Future lease payments are as follows:

| Year | Amount |
|-------|--------------------|
| 2010 | \$270,416 |
| 2011 | 270,416 |
| 2012 | 270,416 |
| 2013 | 270,416 |
| 2014 | 270,416 |
| 2015 | 270,416 |
| Total | <u>\$1,622,496</u> |

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

**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, 2009 or 2008, and is not currently a defendant in any legal case.

Note 11 – Jointly Governed Organization

During 2009 and 2008, the Library jointly operated the Central Crossing Library with the South-Western City School District (SWCS), Grove City, Ohio until June 4, 2009. The Central Crossing Library is part of Central Crossing High School and is located at 4500 B Big Run South Road, 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 operated 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 was responsible for staffing Central Crossing when it operated 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. As a result of declining revenue from the State of Ohio, the Library invoked the exit clause of the agreement with SWCS in late 2008. The Library ceased operations at Central Crossing Library at the close of business, June 4, 2009. In accordance with the 2000 Agreement with SWCS, SWCS was allowed to select the library materials it wished to keep. All other library materials were absorbed into the collections of the Grove City Library and the Westland Area Library. Computer equipment owned by the Library was distributed to the Grove City Library and the Westland Area Library.

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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 Library 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, 2009 and 2008 which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 16, 2010



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
JULY 8, 2010**