



**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019-2018

**SOUTHWEST PUBLIC LIBRARY
FRANKLIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types FYE December 31, 2019	5
Notes to the Financial Statements FYE December 31, 2019	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types FYE December 31, 2018	15
Notes to the Financial Statements FYE December 31, 2018	16
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	25
Summary Schedule of Prior Audit Findings (Prepared by Management)	27

THIS PAGE INTENTIONALLY LEFT BLANK

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Southwest Public Library
Franklin County
3959 Broadway
Grove City, Ohio 43123

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Southwest Public Library, Franklin County, Ohio (the Library) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Library prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Library does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Southwest Public Library, Franklin County, as of December 31, 2019 and 2018, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matters

As discussed in Note 2 to the financial statements, during 2018, the Library elected to change its financial presentation from the cash basis to the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). We did not modify our opinion with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

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

Keith Faber
Auditor of State

Columbus, Ohio

September 17, 2020

THIS PAGE INTENTIONALLY LEFT BLANK

Southwest Public Libraries
Franklin County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Capital Projects	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$2,276,332	\$0	\$2,276,332
Public Library	3,889,426	0	3,889,426
Intergovernmental	241,768	0	241,768
Patron Fines and Fees	115,589	0	115,589
Contributions, Gifts and Donations	12,985	0	12,985
Earnings on Investments	24,395	0	24,395
Miscellaneous	134,124	0	134,124
<i>Total Cash Receipts</i>	<u>6,694,619</u>	<u>0</u>	<u>6,694,619</u>
Cash Disbursements			
Current:			
Library Services:			
Public Services and Programs	2,841,808	0	2,841,808
Collection Development and Processing	829,376	0	829,376
Support Services:			
Facilities Operation and Maintenance	1,683,506	0	1,683,506
Information Services	419,224	0	419,224
Business Administration	749,300	0	749,300
Capital Outlay	83,950	406,950	490,900
<i>Total Cash Disbursements</i>	<u>6,607,164</u>	<u>406,950</u>	<u>7,014,114</u>
<i>Net Change in Fund Cash Balances</i>	<u>87,455</u>	<u>(406,950)</u>	<u>(319,495)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,811,745</u>	<u>413,607</u>	<u>2,225,352</u>
Fund Cash Balances, December 31			
Committed	0	6,657	6,657
Assigned	1,899,200	0	1,899,200
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,899,200</u></u>	<u><u>\$6,657</u></u>	<u><u>\$1,905,857</u></u>

See accompanying notes to the basic financial statements

Southwest Public Libraries
Franklin County
Notes to the Financial Statements
For the Years Ended December 31, 2019

Note 1 – Reporting Entity

The Southwest Public Libraries (the Library) was organized as a school district public library in 1923 under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees appointed by the South-Western City School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of the South-Western City School District.

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

The Friends of Southwest Public Libraries is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The economic resources received or held by the organization that the Library is entitled to, or has the ability to otherwise access, are not significant to the Library. Therefore, this organization has been excluded from the reporting entity of the library.

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

Southwest Public Libraries
Franklin County
Notes to the Financial Statements
For the Years Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Library's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which are organized on a fund type basis.

Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented below:

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

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Southwest Public Libraries
Franklin County
Notes to the Financial Statements
For the Years Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts disclosed as the original budgeted amounts at Note 3 reflect the amounts of estimated resources when the original appropriations were adopted. The amounts disclosed as the final budgeted amounts at Note 3 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.

Deposits and Investments

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Southwest Public Libraries
Franklin County
Notes to the Financial Statements
For the Years Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance

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

Non-spendable The Library classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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

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

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

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

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

Southwest Public Libraries
 Franklin County
 Notes to the Financial Statements
 For the Years Ended December 31, 2019

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$6,447,619	\$6,694,619	\$247,000
Total	\$6,447,619	\$6,694,619	\$247,000

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$8,259,363	\$6,709,777	\$1,549,586
Capital Projects	413,607	407,844	5,763
Total	\$8,672,970	\$7,117,621	\$1,555,349

Note 4 – Deposits and Investments

The Library maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2019
Demand deposits	\$847,204
Petty Cash	200
Cash for Transactions	800
Total deposits	848,204
STAR Ohio	1,057,653
Total Investments	1,057,653
Total Deposits and Investments	\$1,905,857

Southwest Public Libraries
Franklin County
Notes to the Financial Statements
For the Years Ended December 31, 2019

Note 4 – Deposits and Investments (Continued)

Deposits

Deposits are collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Grants in Aid and Property Taxes

Grants in Aid

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

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

Southwest Public Libraries
 Franklin County
 Notes to the Financial Statements
 For the Years Ended December 31, 2019

Note 6 - Risk Management

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

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$15,920,504
Liabilities	(11,329,011)
Members' Equity	<u>\$ 4,591,493</u>

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Library contributed an amount equaling 14%, of participants' gross salaries. The Library has paid all contributions required through December 31, 2019.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012 – 2019</i>	<i>10%</i>	<i>14%</i>

Southwest Public Libraries
Franklin County
Notes to the Financial Statements
For the Years Ended December 31, 2019

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 9 – Operating Lease

The Library leases the building that houses the Westland Area Library located at 4740 West Broad Street, Columbus, Ohio 43228. The building is part of the Lincoln Village Shopping Center and was owned by Nationwide Development Corporation of Columbus, Ohio until September, 2009 when it was acquired by Echo Property Development of Pittsburgh, Pennsylvania. The terms of the original lease with Nationwide Development continue to be in effect; however, a modification to that lease agreement went into effect on April 1, 2011. The modification extends the lease agreement another five years and six months. The Library disbursed \$316,982 in 2019 to pay lease costs. Future lease Payments are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$352,630
2021	363,851
2022	<u>366,095</u>
Total	<u><u>\$1,082,576</u></u>

The Library and Echo agreed to extend the lease in 2017 for another 18 years. In addition, both parties agreed to add approximately 3,625 square feet of space to the building. Both parties agreed that the construction costs would be shared 60% (Echo) and 40% (Library) with the Library's portion being amortized over the 18 year extension at an annual rate of 8% and incorporated into the lease payment.

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

Note 10 - Construction and Contractual Commitments

The Library Board of Trustees approved a Development Agreement and a Lease/Purchase Agreement with the City of Grove City on June 9, 2015 for the construction and lease/purchase of a 48,000 square foot building located at 3959 Broadway, Grove City Ohio 43123 to be the future home of the Grove City Library. The agreement called for the City of Grove City to pay for all building construction and site development costs and then to lease the Grove City Library building to the Library for a period of 30 years; at the end of which, the Library becomes the sole owner of the property. The annual lease payment to the City of Grove City is \$300,000 for 30 years, commencing on September 1, 2016. Under the agreement, the Library paid the City \$1,000,000 toward construction costs in June, 2015 with that cost being expended as a capital expenditure from the Capital Projects Fund.

Southwest Public Libraries
Franklin County
Notes to the Financial Statements
For the Years Ended December 31, 2019

Note 10 - Construction and Contractual Commitments (Continued)

The Library paid the City a second and final installment of \$1,000,000 upon completion of the building in September, 2016. In addition, the Library agreed to deed then-current Grove City Library Property at 3359 Park Street, Grove City, Ohio 43123 to the City of Grove City upon the completion of the new library building at 3959 Broadway.

Note 11 – Contingent Liabilities

As of the date of these financial statements, the Library's management is unaware of any contingent liabilities which could have a material impact on the Library's financial condition.

Note 12 – Subsequent Events

The Library's management is not aware of any subsequent events which would have a material impact on these financial statements.

Southwest Public Libraries
Franklin County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Capital Projects	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$2,242,135	\$0	\$2,242,135
Public Library	3,724,275	0	3,724,275
Intergovernmental	242,084	0	242,084
Patron Fines and Fees	116,052	0	116,052
Contributions, Gifts and Donations	9,955	0	9,955
Earnings on Investments	19,827	0	19,827
Miscellaneous	147,086	0	147,086
<i>Total Cash Receipts</i>	<u>6,501,414</u>	<u>0</u>	<u>6,501,414</u>
Cash Disbursements			
Current:			
Library Services:			
Public Services and Programs	2,823,431	0	2,823,431
Collection Development and Processing	903,727	0	903,727
Support Services:			
Facilities Operation and Maintenance	1,667,768	0	1,667,768
Information Services	420,212	0	420,212
Business Administration	731,181	29,945	761,126
Capital Outlay	54,381	208,088	262,469
<i>Total Cash Disbursements</i>	<u>6,600,700</u>	<u>238,033</u>	<u>6,838,733</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(99,286)</u>	<u>(238,033)</u>	<u>(337,319)</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	150,000	150,000
Transfers Out	(150,000)	0	(150,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(150,000)</u>	<u>150,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(249,286)</u>	<u>(88,033)</u>	<u>(337,319)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,061,031</u>	<u>501,640</u>	<u>2,562,671</u>
Fund Cash Balances, December 31			
Committed	0	413,607	413,607
Assigned	1,754,304	0	1,754,304
Unassigned (Deficit)	57,441	0	57,441
<i>Fund Cash Balances, December 31</i>	<u>\$1,811,745</u>	<u>\$413,607</u>	<u>\$2,225,352</u>

See accompanying notes to the basic financial statements

Southwest Public Libraries
Franklin County
Notes to the Financial Statements
For the Years Ended December 31, 2018

Note 1 – Reporting Entity

The Southwest Public Libraries (the Library) was organized as a school district public library in 1923 under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees appointed by the South-Western City School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the South-Western City School District.

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

The Friends of Southwest Public Libraries is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The economic resources received or held by the organization that the Library is entitled to, or has the ability to otherwise access, are not significant to the Library. Therefore, this organization has been excluded from the reporting entity of the library.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Library's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which are organized on a fund type basis.

Southwest Public Libraries
Franklin County
Notes to the Financial Statements
For the Years Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented below:

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

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). During 2018, the Library elected to change its financial presentation from the cash basis to the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts disclosed as the original budgeted amounts at Note 3 reflect the amounts of estimated resources when the original appropriations were adopted. The amounts disclosed as the final budgeted amounts at Note 3 reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

Southwest Public Libraries
Franklin County
Notes to the Financial Statements
For the Years Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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

Deposits and Investments

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Non-spendable The Library classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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

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

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

Southwest Public Libraries
 Franklin County
 Notes to the Financial Statements
 For the Years Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,248,956	\$6,501,414	\$252,458
Capital Projects	\$0	\$150,000	\$150,000
Total	\$0	\$150,000	\$150,000

2018 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,309,983	\$6,809,240	\$1,500,743
Capital Projects	501,639	257,342	244,297
Total	\$8,811,622	\$7,066,582	\$1,745,040

Southwest Public Libraries
 Franklin County
 Notes to the Financial Statements
 For the Years Ended December 31, 2018

Note 4 – Deposits and Investments

The Library maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2018
Demand deposits	\$1,191,095
Petty Cash	200
Cash for Transactions	800
Total deposits	1,192,095
STAR Ohio	1,033,257
Total Investments	1,033,257
Total Deposits and Investments	\$2,225,352

Deposits

Deposits are collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Grants in Aid and Property Taxes

Grants in Aid

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

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

Southwest Public Libraries
Franklin County
Notes to the Financial Statements
For the Years Ended December 31, 2018

Note 6 - Risk Management

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

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2018.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

Southwest Public Libraries
 Franklin County
 Notes to the Financial Statements
 For the Years Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Library’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Library contributed an amount equaling 14%, of participants’ gross salaries. The Library has paid all contributions required through December 31, 2018.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012 – 2018</i>	<i>10%</i>	<i>14%</i>

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Operating Lease

The Library leases the building that houses the Westland Area Library located at 4740 West Broad Street, Columbus, Ohio 43228. The building is part of the Lincoln Village Shopping Center and was owned by Nationwide Development Corporation of Columbus, Ohio until September, 2009 when it was acquired by Echo Property Development of Pittsburgh, Pennsylvania. The terms of the original lease with Nationwide Development continue to be in effect; however, a modification to that lease agreement went into effect on April 1, 2011. The modification extends the lease agreement another five years and six months. The Library disbursed \$309,863 in 2018 to pay lease costs. Future lease Payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$341,363
2020	341,363
2021	341,363
Total	<u><u>\$1,024,089</u></u>

Southwest Public Libraries
Franklin County
Notes to the Financial Statements
For the Years Ended December 31, 2018

Note 9 – Operating Lease (Continued)

The Library and Echo agreed to extend the lease in 2017 for another 18 years. In addition, both parties agreed to add approximately 3,625 square feet of space to the building. Both parties agreed that the construction costs would be shared 60% (Echo) and 40% (Library) with the Library's portion being amortized over the 18 year extension at an annual rate of 8% and incorporated into the lease payment.

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

Note 10 - Construction and Contractual Commitments

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

Note 11 – Contingent Liabilities

As of the date of these financial statements, the Library's management is unaware of any contingent liabilities which could have a material impact on the Library's financial condition.

Note 12 – Subsequent Events

The Library's management is not aware of any subsequent events which would have a material impact on these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Southwest Public Library
Franklin County
3959 Broadway
Grove City, Ohio 43123

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States’ *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Southwest Public Library, Franklin County, Ohio, (the Library) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated September 17, 2020, wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Library elected to change its financial presentation from the cash basis to the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

September 17, 2020



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2018 and 2019

Finding Number	Finding Summary	Status	Additional Information
2017-001	Payroll Control- Material Weakness Not all time cards are signed by supervisors as required	Corrected	Supervisors are instructed to sign all time cards per library policy. Some time cards were found to be missing supervisor signature during the audit years 2017 and 2016. The lack of supervisor signature related to supervisor absence when time cards were due for submission for payroll processing. Subsequently, supervisors were instructed that when they were unavailable to sign time cards, the next supervisor in line should sign the time card for submission to the Business Office. The Business Office will not process time cards without supervisory signatures.
2017-002	Financial Reporting- Material Weakness Material Adjustments to the Financial Statements were required	Corrected	The 2016 and 2017 Financial statements were prepared utilizing OCBOA Financial Statements. Southwest Public Libraries returned to Regulatory Cash Basis Financial Statements for 2018 and 2019.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



SOUTHWEST PUBLIC LIBRARY

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/15/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov