



**WESTERVILLE SCHOOL DISTRICT PUBLIC LIBRARY
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Westerville School District Library
Franklin County
126 South State Street
Westerville, Ohio 43081

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Westerville School District Library, Franklin County, Ohio (the Library), as of and for the year ended December 31, 2004, 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 basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Westerville School District Library, Franklin County, Ohio, as of December 31, 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2005, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 28, 2005

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

The discussion and analysis of the Westerville School District Library financial performance provides an overview of the Library's financial activities for the year ended December 31, 2004, within the limitations of the Board's cash basis of accounting. The intent of this discussion and analysis is to look at the Library's performance as a whole.

Financial Highlights

Key financial highlights for 2004 are as follows:

- Net assets decreased \$743,847.
- General Receipts accounted for \$4,203,012 or 84 percent of all receipts. Program receipts in the form of charges for services or governmental operating grants and contributions accounted for \$818,912 or 16 percent of total receipts.
- The Library had \$5,765,771 in disbursements relating to activities; only \$818,912 of these disbursements is offset by program specific charges for services or operating grants and contributions.

Using this Annual Financial Report

This annual report consists in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's modified cash basis of accounting. The statements are organized so the reader can understand the Westerville School District Library's financial position. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis provide information about the activities of the Library as a whole, presenting an aggregate view of the Library's finances. Governmental financial statements provide the next level of detail. These statements tell how services were financed well as what remains for future spending. Governmental financial statements report the Library's most significant funds individually and the Library's non-major funds in a single column. The Library's major funds are the General Fund, Building Fund and the Permanent Improvement Fund.

Reporting the Library as a Whole

Statement of Net Assets- Cash Basis and Statement of Activities – Cash Basis

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis reflect how the Library did financially during 2004. These two statements report the Library's net assets and changes in those assets. The change in net assets is important because it tells the reader whether the financial position of the Library as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. These factors must be considered when assessing the overall health of the Library.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, the Library presents a single type of activity, governmental activities. All of the Library's programs and services are reported here, including general public services, purchases and contracted services, library materials and information and capital outlay. These services are primarily funded by intergovernmental and tax receipts.

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Reporting the Library's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the Library's major funds. The Library uses several funds to account for its financial transactions. However, these fund financial statements focus on the Library's most significant funds. The Library's major governmental funds are the General Fund, Building Fund and Permanent Improvement Fund.

Governmental Funds The Library's activities are reported in the governmental financial statements, which focus on how the money flows into and out of the funds as well as balances available for spending in future periods. The funds are reported on a cash basis of accounting. The governmental financial statements provide a view of the Library's general government operations and the basic services being provided. Government financial statements help the user to determine whether there are more or fewer financial resources that can be spent in the near future to finance library programs.

The Library as a Whole

Recall that the Statement of Net Assets provides the perspective for the Library as a whole. Table 1 provides a summary of the Library's net assets for 2004 compared to 2003.

Table 1
Net Assets - Cash Basis

	Governmental Activities	
	2004	2003
Assets		
Equity in Pooled Cash and Cash Equivalents	\$3,954,461	\$4,698,308
Total Assets	\$3,954,461	\$4,698,308
Net Assets		
Restricted	\$2,787,349	\$4,085,266
Unrestricted	1,167,112	613,042
	\$3,954,461	\$4,698,308

In 2004, total assets decreased \$743,847 or approximately 16 percent under 2003. This decrease can be attributed to a construction project adding approximately 10,000 sq. feet to the existing library.

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for the year ended December 31, 2004,

Table 2
Changes in Net Assets

	Governmental Activities	
	2004	2003
Receipts:		
Program Cash Receipts		
Charges For Services	\$232,356	\$194,105
Operating Grants and Contributions	586,556	4,839
Total Program Cash Receipts	\$818,912	\$198,944
General Receipts		
Property and Other Local Taxes	\$1,494,056	\$1,338,532
Intergovernmental Revenue	2,647,565	3,338,652
Interest	48,373	26,322
Miscellaneous Receipts	13,018	1,807
Total General Receipts	\$4,203,012	\$4,705,313
Total Receipts	\$5,021,924	\$4,904,257
Disbursements:		
Public Services		
Public Service and Programs	\$2,675,434	\$2,428,098
Purchased and Contracted Services	1,043,316	829,958
Library Material Information	855,850	859,853
Capital Outlay	648,416	138,287
Principal Retirement	435,000	0
Interest and Fiscal Charges	107,755	0
Total Disbursements	\$5,765,771	\$4,256,196
Change in Net Assets	(\$743,847)	\$648,061

During fiscal year 2004, operating grants and contributions show a significant increase. This change is partially due to a gift of \$37,791 from the Friends of the Library to purchase a van and three additional book drops. Also, the amount of LLGSF monies that will be spent on debt service in 2005 is shown as Operating Grants and Contributions, this amount was \$542,755 for 2004. There was a significant increase in miscellaneous receipts due largely to revenue from the coffee service and sale of supplies in the technology center. During fiscal year 2004, purchased and contracted services and capital outlay show a significant increase. These changes are largely because of architect fees and construction payments for the library addition.

In 2004, general receipts represented 84 percent of the Library's overall receipts. In 2003 the general receipts represented 96 percent of the Library's overall receipts. General receipts in both 2004 and 2003 were made up almost entirely of the Library and Local Government Support Fund monies. Since these monies are provided by the State, it can be seen how any decreases in this funding source could have a substantial impact on the services the Library can provide.

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

The Statement of Activities – Cash Basis shows the cost of program services and the charges for services, operating grants and contributions offsetting those services. Table 3 shows the total of the services and the net cost of services. The net cost of services identifies the cost of those services supported by unrestricted government grants-in-aid, LLGFS.

Table 3
Statement of Activities

	Governmental Activities	
	Total Cost of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Public Services		
Public Services and Programs	\$2,675,434	\$2,513,109
Purchased and Contracted Services	1,043,316	973,503
Library Materials and Information	855,850	811,831
Capital Outlay	648,416	648,416
Principal Retirement	435,000	0
Financing Fees and Costs	107,755	0
Total Disbursements	<u>\$5,765,771</u>	<u>\$4,946,859</u>

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based on accounting for certain transactions on a cash basis of accounting.

During the course of 2004 the Library amended both its appropriations and estimated receipts. The budgetary statement reflects both the original and final amounts appropriated.

Due to the certainty of the majority of the Library's funding, Local Library Government Service Funding (LLGSF), there is no major budget versus actual variances in regards to revenues.

Debt

At December 31, 2004, the Library outstanding debt including interest totaled \$3,254,515. LLGS Anticipated Notes were issued to fund construction and renovation to the Library. For further information regarding the Library's debt, refer to Note 9 to the basic financial statements.

Economic Factors

Funding from the State of Ohio for the Library and Local Government Support Fund has been stagnant in 2004 and 2003. The Library and Local Government Support Fund is frozen through the end of the biennium (June 2007). The Library has transferred funds to the Building Fund and will continue to do so in the future. The Board has requested that we accrue funds to make sure we have adequate funds to meet the retirement of our debt incurred to finance the addition to the Library.

The Library will be challenged to continue to maintain the current level of services and programs due to the Library and Local Government Support Fund being frozen. The Board and Library administration must maintain careful financial planning and prudent fiscal management in order to provide services needed and balance the budget annually.

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Contacting the Library's Financial Management

The financial report is designed to provide a general overview of the Library's finances and to show the Library's accountability for the money it receives to all those interested in the Library's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Norma Ekleberry, Clerk-Treasurer, 126 South State St., Westerville, Ohio 43081.

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WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,954,461</u>
<i>Total Assets</i>	<u><u>\$3,954,461</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$2,656,288
Other Purposes	131,061
Unrestricted	<u>1,167,112</u>
<i>Total Net Assets</i>	<u><u>\$3,954,461</u></u>

See accompanying notes to the basic financial statements

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets
				Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$2,675,434	\$136,579	\$25,746	(\$2,513,109)
Purchased and Contracted Services	1,043,316	58,740	11,073	(973,503)
Library Materials and Information	855,850	37,038	6,982	(811,831)
Capital Outlay	648,416	0	0	(648,416)
Debt Service:				
Principal Retirement	435,000	0	435,000	\$0
Interest and Fiscal Charges	107,755	0	107,755	\$0
Total Governmental Activities	\$5,765,771	\$232,356	\$586,556	(\$4,946,859)

General Receipts

Property Taxes Levied for General Purposes	1,494,056
Intergovernmental Revenue	2,647,565
Interest	48,373
Miscellaneous	13,018
Total General Receipts	4,203,012
Change in Net Assets	(743,847)
Net Assets Beginning of Year	4,698,308
Net Assets End of Year	3,954,461

See accompanying notes to the basic financial statements

WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY

STATEMENT OF CASH BASIS ASSETS AND CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General	Building Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$205,677	\$961,435	\$2,656,288	\$131,061	\$3,954,461
<i>Total Assets</i>	<u>\$205,677</u>	<u>\$961,435</u>	<u>\$2,656,288</u>	<u>\$131,061</u>	<u>\$3,954,461</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$76,170	\$0	\$1,932,762	\$0	\$2,008,932
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	129,507	0	0	0	129,507
Special Revenue Funds	0	0	0	131,061	131,061
Capital Projects Funds	0	961,435	723,526	0	1,684,961
<i>Total Fund Balances</i>	<u>\$205,677</u>	<u>\$961,435</u>	<u>\$2,656,288</u>	<u>\$131,061</u>	<u>\$3,954,461</u>

See accompanying notes to the basic financial statements

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Building Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$1,494,056	\$0	\$0	\$0	\$1,494,056
Intergovernmental	3,190,320	0	0	7,482	3,197,802
Patrons Fines and Fees	232,356	0	0	0	232,356
Contributions Gifts and Donations	35,319	0	0	1,000	36,319
Earnings on Investments	9,492	10,826	25,781	2,274	48,373
Miscellaneous	8,400	0	3,900	718	13,018
<i>Total Receipts</i>	4,969,943	10,826	29,681	11,474	5,021,924
Disbursements					
Current:					
Library Services:					
Public Service and Programs	2,675,434	0	0	0	2,675,434
Purchased and Contracted Services	783,955	0	233,625	25,736	1,043,316
Library Materials and Information	848,670	0	0	7,180	855,850
Capital Outlay	185,530	0	458,807	4,079	648,416
Debt Service:					
Principal Retirement	435,000	0	0	0	435,000
Interest and Fiscal Charges	107,755	0	0	0	107,755
<i>Total Disbursements</i>	5,036,344	0	692,432	36,995	5,765,771
<i>Excess of Receipts Over (Under) Disbursements</i>	(66,401)	10,826	(662,751)	(25,521)	(743,847)
Other Financing Sources					
Transfers In	0	100,000	0	2,494	102,494
Transfers Out	(102,494)	0	0	0	(102,494)
<i>Total Other Financing Sources</i>	(102,494)	100,000	0	2,494	0
<i>Net Change in Fund Balances</i>	(168,895)	110,826	(662,751)	(23,027)	(743,847)
<i>Fund Balances Beginning of Year</i>	374,572	850,609	3,319,039	154,088	4,698,308
<i>Fund Balances End of Year</i>	\$205,677	\$961,435	\$2,656,288	\$131,061	\$3,954,461

See accompanying notes to the basic financial statements

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$1,503,361	\$1,551,710	\$1,494,056	(\$57,654)
Intergovernmental	3,614,098	3,192,695	3,190,321	(2,374)
Patron Fines and Fees	189,000	191,500	232,356	40,856
Contributions, Gifts and Donations	12,000	33,000	35,319	2,319
Earnings on Investments	6,000	7,000	9,491	2,491
Miscellaneous	26,000	42,394	8,400	(33,994)
<i>Total Receipts</i>	5,350,459	5,018,299	4,969,943	(48,356)
Disbursements				
Current:				
Library Services:				
Public Service and Programs	2,684,129	2,695,922	2,675,434	20,488
Purchased and Contracted Services	705,197	744,009	783,955	(39,946)
Library Materials and Information	871,102	865,397	848,669	16,728
Capital Outlay	293,463	291,767	261,700	30,067
Debt Service:				
Redemption of Principal	435,000	435,000	435,000	0
Interest	107,755	107,756	107,755	1
<i>Total Disbursements</i>	5,096,646	5,139,851	5,112,513	27,338
<i>Excess of Receipts Over (Under) Disbursements</i>	253,813	(121,552)	(142,570)	21,018
Other Financing Sources				
Transfers Out	(100,000)	(102,494)	(102,494)	0
<i>Total Other Financing Sources</i>	(100,000)	(102,494)	(102,494)	0
<i>Excess of Receipts Over (Under) Disbursements and Other Financing Sources</i>	153,813	(224,046)	(245,064)	21,018
<i>Fund Balance Beginning of Year</i>	219,278	219,278	219,278	0
<i>Prior Year Encumbrances</i>	155,294	155,294	155,294	0
<i>Fund Balance End of Year</i>	\$528,385	\$150,526	\$129,508	\$21,018

See accompanying notes to the basic financial statements

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**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Westerville School District Library, Franklin County, Ohio (The Library) as a body corporate and politic.

A seven-member Board governs the Library, which provides the community with various educational and literacy resources. The seven-member Board is appointed by the Westerville City School District Board of Education. Each trustee serves a term of seven years. The officers of the Board are the president, vice president and secretary who are all elected and serve a term of one year.

Reporting Entity

The reporting entity is comprised of the primary government. The primary government of the Library consists of all funds, departments, boards and agencies that are not legally separate from the Library. The Westerville Library Foundation is a component unit of the Library. This component unit operates separately from the Library, but exists to support the Library through activities and donations. This component unit was not reported on the financial statements of the Library due to lack of activity or Board meetings in 2004. To obtain a copy of the Westerville Library Foundation financial statements send an inquiry to: Norma Eckerberry, 126 South State Street, Westerville, OH 43081.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although no requirement exists within the Ohio Administrative Code the Library chose to prepare its financial statements and notes in accordance with the cash-basis of accounting for conformity with AICPA Interpretation AU Section 623.

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.

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 fiscal 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 a fiscal and accounting entity with a self-balancing set of accounts.

Governmental: The Library classifies funds financed primarily from taxes, intergovernmental receipts (e.g. LLSGF and other grants) and other nonexchange transactions as governmental funds. The following are the Library's major governmental funds:

General Fund: The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Accounting (Continued)

Building Fund: The Building Fund contains money from the surplus of the 1981 Library addition project and funds transferred from the general fund and will be used for any major repairs to the Library and accrue a reserve for payment on the debt incurred in 2003 for the addition to the Library should the renewal of the operating levy fail to be renewed in 2007.

Permanent Improvement Fund: The Permanent Improvement Fund contains money from the sale of bonds to finance the construction of an approximately 10,000 square foot two story expansion of the facilities of the Library, including the furnishing and equipping of such expansion. The Project will be used for youth services, a teen center, media department, administrative offices and for related operations and services provided by the Library.

The other governmental funds of the Library account for grants and other resources whose use is restricted to a particular purpose.

B. Basis of Presentation

The Library's basic financial statements consist of a government-wide statement of net assets and of a activities and fund financial statements providing more detailed financial information.

Government-wide Financial Statement of Activities: This statement displays information about the Library as a whole.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. 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 the cash basis or draws from the Library's general receipts.

Fund Financial Statements: Fund financial statements report more detailed information about the Library. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column.

C. Cash, Cash Equivalents and Investments

The Library deposits and invests cash from all funds mainly in Certificates of Deposit. The financial statements present each fund's share of interest in the pool as *equity in pooled cash and cash equivalents* on the financial statements.

The Library specifies the funds that the certificates of deposits are purchased for and allocates interest to the fund which purchased the Certificate of Deposit.

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Restricted Assets

The financial statements classify cash and cash equivalents as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions.

E. Long-term Obligations

These cash basis financial statements do not report liabilities for notes and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

F. Fund Balance Designations and Reserves

The Library reserves those portions of fund equity legally segregated for a specific future use or which are not available for appropriation or disbursement. The Library has reserved fund equity for encumbrances.

G. Net Assets

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The Library first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

H. Budgetary Data

Ohio law requires the Library to budget and appropriate all funds. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts the Board of Trustees may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board of Trustees uses the fund function level within each fund as its legal level of control.

The certificate of estimated resources may be amended during the year if the Library projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

3. CHANGE IN FORMAT

The Library has adopted a new financial statement format prescribed by GASB Statement No. 34 and included the related disclosures.

4. INTERGOVERNMENTAL AND TAX RECEIPTS

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

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental receipts. 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.

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

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

5. DEPOSITS AND INVESTMENTS

Ohio law restricts deposits and investments to the following:

1. Commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts;
2. Money market deposits;
3. Savings accounts or certificates of deposit;
4. United States Treasury securities, or securities of its agencies or instrumentalities the federal government guarantees;
5. No-load money market mutual funds consisting exclusively of obligations described in (4) above and repurchase agreements secured by such obligations;
6. Bonds and obligations of the State of Ohio or Ohio local governments;
7. The State Treasurer's investment pool (STAR Ohio, a Rule 2-a7-like pool);
8. Certain bankers' acceptances and commercial paper notes;
9. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Clerk/Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: At year-end, the carrying amount of the Library's deposits was \$240,844 and the bank balances were \$353,401. \$165,844 of the bank balance was covered by federal depository insurance and \$187,557 was collateralized by a security pool.

Investments: At year-end, the Library's amount invested in certificates of deposits allocated to specific funds was \$3,713,617.

6. RISK MANAGEMENT

RISK MANAGEMENT

A. Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% 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 financial report, obtainable by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

8. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by Ohio Revised Code Section 145. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging between 1.00 to 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$147,863. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

9. LONG – TERM LIABILITIES

The Westerville City School District issued bonds on the Library's behalf in 1995. At June 30, 2004, the amount outstanding on these bonds was \$4,967,046. The Library has no obligation for repayment of these bonds.

**WESTERVILLE SCHOOL DISTRICT LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

9. LONG – TERM LIABILITIES (Continued)

The changes in the Library’s long-term obligations during the year consist of the following:

	Principal Outstanding 1/1/04		Additions	Reductions	Principal Outstanding 12/31/04	Amounts Due in One Year
Governmental Activities						
Revenue Anticipation Notes:						
2003 LLGS Anticipation Notes	\$3,395,000		\$0	\$435,000	\$2,960,000	\$460,000
Total Revenue Anticipation Notes	3,395,000		0	435,000	2,960,000	460,000

On August 21, 2003, the Library issued \$3,395,000, 1.15 – 3.25 percent revenue anticipation notes. These notes were issued to fund construction and renovation to the Library.

Principal and interest requirements to retire long-term liabilities outstanding at December 31, 2004 are as follows:

Fiscal Year Ending December 31	Revenue Anticipation Notes		Total
	Principal	Interest	
2005	\$460,000	\$75,630	\$535,630
2006	475,000	66,430	541,430
2007	485,000	56,930	541,930
2008	500,000	45,775	545,775
2009	510,000	32,525	542,525
2010	530,000	17,225	547,225
Total	<u>\$2,960,000</u>	<u>\$294,515</u>	<u>\$3,254,515</u>

10. ACCOUNTABILITY AND COMPLIANCE

Purchased Services and Contract Services in the General Fund had expenditures in excess of appropriations for the fiscal year ended December 31, 2004, in the amount of \$39,946.

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Auditor of State Betty Montgomery

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

Westerville School District Library
Franklin County
126 South State Street
Westerville, Ohio 43081

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Westerville School District Library (the Library) as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 28, 2005, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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*.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Westerville School District Library
Franklin County
Independent Accountants' Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management and Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 28, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

WESTERVILLE SCHOOL DISTRICT 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
MARCH 14, 2006**