



**UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008-2007



Mary Taylor, CPA
Auditor of State

UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY

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Mary Taylor, CPA
Auditor of State

Upper Arlington Public Library
Franklin County
2800 Tremont Road
Upper Arlington, Ohio 43221

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 19, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Upper Arlington Public Library
Franklin County
2800 Tremont Road
Upper Arlington, Ohio 43221

To the Board of Trustees

We have audited the accompanying financial statements of the Upper Arlington Public Library, Franklin County, Ohio (the Library) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Upper Arlington Public Library, Franklin County, Ohio as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2009, 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.



Mary Taylor, CPA
Auditor of State

October 19, 2009

**UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>All Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 2,677,994	\$ -	\$ 2,677,994
Library and Local Government Support	3,149,005	-	3,149,005
Intergovernmental	417,799	-	417,799
Patron Fines and Fees	190,216	-	190,216
Contributions, Gifts and Donations	2,522	-	2,522
Earnings on Investments	66,632	-	66,632
Miscellaneous	103,885	-	103,885
	<u>6,608,053</u>	<u>-</u>	<u>6,608,053</u>
Total Cash Receipts	6,608,053	-	6,608,053
Cash Disbursements:			
Current:			
Salaries	2,652,857	-	2,652,857
Employee Fringe Benefits	992,397	-	992,397
Purchased and Contractual Services	748,400	123,598	871,998
Library Materials and Information	1,070,020	-	1,070,020
Supplies	183,402	-	183,402
Other	12,728	3,475	16,203
Capital Outlay	223,352	156,951	380,303
	<u>5,883,156</u>	<u>284,024</u>	<u>6,167,180</u>
Total Cash Disbursements	5,883,156	284,024	6,167,180
Total Receipts Over/(Under) Disbursements	724,897	(284,024)	440,873
Other Financing Receipts / (Disbursements):			
Transfers-In	-	1,500,000	1,500,000
Transfers-Out	(1,500,000)	-	(1,500,000)
	<u>(1,500,000)</u>	<u>1,500,000</u>	<u>-</u>
Total Other Financing Receipts / (Disbursements)	(1,500,000)	1,500,000	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(775,103)	1,215,976	440,873
Fund Cash Balances, January 1	1,677,571	904,283	2,581,854
Fund Cash Balances, December 31	<u>\$ 902,468</u>	<u>\$ 2,120,259</u>	<u>\$ 3,022,727</u>
Reserve for Encumbrances, December 31	<u>\$ 215,579</u>	<u>\$ 184,094</u>	<u>\$ 399,673</u>

The notes to the financial statements are an integral part of this statement.

**UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>All Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 2,018,330	\$ -	\$ 2,018,330
Library and Local Government Support	3,200,661	-	3,200,661
Intergovernmental	264,148	-	264,148
Patron Fines and Fees	196,825	-	196,825
Contributions, Gifts and Donations	15,081	-	15,081
Earnings on Investments	138,911	-	138,911
Miscellaneous	83,024	-	83,024
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	5,916,980	-	5,916,980
Cash Disbursements:			
Current:			
Salaries	2,686,764	-	2,686,764
Employee Fringe Benefits	871,405	-	871,405
Purchased and Contractual Services	707,432	123,811	831,243
Library Materials and Information	1,089,830	-	1,089,830
Supplies	187,970	-	187,970
Other	17,406	-	17,406
Capital Outlay	293,962	652,298	946,260
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	5,854,769	776,109	6,630,878
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	62,211	(776,109)	(713,898)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts / (Disbursements):			
Transfers-In	-	265,500	265,500
Transfers-Out	(265,500)	-	(265,500)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(265,500)	265,500	-
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(203,289)	(510,609)	(713,898)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	1,880,860	1,414,892	3,295,752
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 1,677,571	\$ 904,283	\$ 2,581,854
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserve for Encumbrances, December 31	\$ 129,522	\$ 75,387	\$ 204,909
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The notes to the financial statements are an integral part of this statement.

**UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Upper Arlington Public Library Franklin County, Ohio (the Library) as a body corporate and politic. The Mayor of the City of Upper Arlington appoints a six-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

Under the provisions of Statement No. 39 of the Governmental Accounting Standards Board "the Financial Reporting Entity," the Upper Arlington Public Library Foundation is considered to be a component unit of the Upper Arlington Public Library. The Upper Arlington Public Library Foundation is further discussed in Note 7.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library meets all three of the following criteria (1) economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the Library (2) the Library is entitled to, or has the ability to access a majority of the economic resources received or held by the separate organization and (3) the economic resources received or held by an individual that the Library is entitled to, or has the ability to otherwise access, are significant to that of the Library.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting 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).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. 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.

The Library values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Library had the following significant capital project funds:

Building and Repair Fund- This fund is used to account for monies set aside for building construction and repair.

Miller Park Fund- This fund is used to account for monies set aside for building construction and repair for the Miller Park Library Branch.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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.

2. Equity in Pooled 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:

**UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

	2008	2007
Demand deposits	\$529,400	\$654,001
Certificates of deposit	100,000	0
Total deposits	<u>629,400</u>	<u>654,001</u>
STAR Ohio	2,393,327	1,927,853
Total investments	<u>2,393,327</u>	<u>1,927,853</u>
Total deposits and investments	<u>\$3,022,727</u>	<u>\$2,581,854</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,206,526	\$6,608,053	(\$1,598,473)
Capital Projects	869,604	1,500,000	630,396
Total	<u>\$9,076,130</u>	<u>\$8,108,053</u>	<u>(\$968,077)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,330,225	\$7,598,735	(\$1,268,510)
Capital Projects	972,100	468,118	503,982
Total	<u>\$7,302,325</u>	<u>\$8,066,853</u>	<u>(\$764,528)</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$7,584,303	\$5,916,980	(\$1,667,323)
Capital Projects	997,941	265,500	(732,441)
Total	<u>\$8,582,244</u>	<u>\$6,182,480</u>	<u>(\$2,399,764)</u>

**UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,935,825	\$6,249,791	(\$313,966)
Capital Projects	1,291,979	851,496	440,483
Total	\$7,227,804	\$7,101,287	\$126,517

Contrary to Ohio law, actual expenditures exceeded appropriation authority in the General Fund by \$1,268,510 and \$313,966 and Miller Park Fund by \$39,576 and \$75,385 for the years ended December 31, 2008 and 2007 respectively.

4. Grants-In-Aid 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 Department of Taxation, Division 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 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.

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. Retirement Systems

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. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Library contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2008.

**UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

7. Component Unit

Upper Arlington Public Library Foundation (“the Foundation”) is a non-for-profit corporation organized and operated as a component part to operate exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the Upper Arlington Public Library, so long as it remains a qualified organization, including, but not limited to providing an alternative funding source for the acquisition of materials and equipment, staff training and development, and facilities improvement. To obtain the information on the Foundation, contact, Barbara Muller, Treasurer, at 4171 Clairmont Road, Upper Arlington, Ohio 43220.

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Mary Taylor, CPA

Auditor of State

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

Upper Arlington Public Library
Franklin County
2800 Tremont Road
Upper Arlington, Ohio 43221

To the Library Board of Trustees:

We have audited the financial statements of the Upper Arlington Public Library, Franklin County, Ohio (the Library) as of and for the years ended December 31, 2008 and 2007 and have issued our report thereon dated October 19, 2009, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

October 19, 2009

UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Admin. Code Section 117-8-02 states that the library's legislative body shall adopt appropriation measures. These measures establish the legal level of control. The legal level of control is the level (e.g., fund, program or function, department, object level) at which spending in excess of budgeted amounts would be a violation of law.

Budgetary expenditures (expenditures + encumbrances) exceeded appropriations for the years ending December 31, 2007 and 2008 as follows:

Year Ended	Fund	Appropriation Authority	Budgetary Expenditures	Variance
12/31/2007	General	5,935,825	6,249,791	(313,966)
12/31/2007	Miller Park	383,979	459,364	(75,385)
12/31/2008	General	6,330,225	7,598,735	(1,268,510)
12/31/2008	Miller Park	144,600	184,176	(39,576)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources.

We recommend the Fiscal Officer prepare and the Board of Trustees must approve an amended appropriations certificate anytime additional expenditures and/or transfers occur. This must also be filed with the Franklin County Auditor.

Library Response:

Failure to properly certify appropriations with the County Budget Commission was due to a misunderstanding of transferring cash between funds and how that affected expenditures. Staff did not realize that transferring cash was considered an expenditure and it required a revised certification with the County. However, in both years, a Board resolution approved transfers between funds. Corrective action will include the Fiscal Officer monitoring changes to appropriations during the year and at a minimum, submitting at fiscal year-end a revised certification to the Finance Committee as well as the County Budget Commission.



Mary Taylor, CPA
Auditor of State

UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 1, 2009