



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017
Fiscal Years Audited Under GAGAS: 2018 and 2017

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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Upper Arlington Public Library
2800 Tremont Road
Upper Arlington, Ohio 43221-3199

We have reviewed the *Independent Auditor's Report* of the Upper Arlington Public Library, Franklin County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Upper Arlington Public Library is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

June 27, 2019

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FRANKLIN COUNTY
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INDEPENDENT AUDITOR'S REPORT

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

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 Upper Arlington Public Library, Franklin County, Ohio (the Library) as of and for the years ended December 31, 2018 and 2017.

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, 2018 and 2017, 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 Upper Arlington Public Library, Franklin County as of December 31, 2018 and 2017, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2019, 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.



BHM CPA Group, Inc.
Piketon, Ohio
April 08, 2019

**UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$ 2,797,763	\$ -	\$ -	\$ 2,797,763
Public Library	2,645,130	-	-	2,645,130
Intergovernmental	385,093	-	-	385,093
Patron Fines and Fees	184,176	-	-	184,176
Services Provided to Other Entities	32,804	-	-	32,804
Contributions, Gifts and Donations	9,446	89,476	-	98,922
Earnings on Investments	67,574	2,088	-	69,662
Miscellaneous	3,060	23,500	22,669	49,229
Total Cash Receipts	<u>6,125,046</u>	<u>115,064</u>	<u>22,669</u>	<u>6,262,779</u>
Cash Disbursements:				
Current:				
Library Services:				
Public Services and Programs	2,370,581	36,252	-	2,406,833
Collection Development and Processing	1,104,380	4,787	-	1,109,167
Support Services:				
Facilities Operation and Maintenance	547,172	-	-	547,172
Information Services	332,075	1,486	-	333,561
Business Administration	1,119,615	-	-	1,119,615
Capital Outlay	38,665	89,542	289,468	417,675
Total Cash Disbursements	<u>5,512,488</u>	<u>132,067</u>	<u>289,468</u>	<u>5,934,023</u>
Excess of Receipts Over/(Under) Disbursements	612,558	(17,003)	(266,799)	328,756
Other Financing Receipts (Disbursements):				
Transfers-In	-	-	306,976	306,976
Transfers-Out	(306,976)	-	-	(306,976)
Total Other Financing Receipts(Disbursements)	<u>(306,976)</u>	<u>-</u>	<u>306,976</u>	<u>-</u>
Net Change in Fund Cash Balances	305,582	(17,003)	40,177	328,756
Fund Cash Balances, January 1	<u>3,003,654</u>	<u>278,589</u>	<u>364,980</u>	<u>3,647,223</u>
Fund Cash Balances, December 31				
Restricted	-	261,586	-	261,586
Assigned	150,558	-	405,157	555,715
Unassigned	3,158,678	-	-	3,158,678
Fund Cash Balances, December 31	<u>\$ 3,309,236</u>	<u>\$ 261,586</u>	<u>\$ 405,157</u>	<u>\$ 3,975,979</u>

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

**UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Fiduciary Fund Types	Totals (Memorandum Only)
	Agency	
Operating Cash Receipts:		
Contributions, Gifts and Donations	\$ 17,666	\$ 17,666
Total Operating Cash Receipts	17,666	17,666
Operating Cash Disbursements:		
Claims	15,615	15,615
Total Operating Cash Disbursements	15,615	15,615
Operating Income(Loss)	2,051	2,051
Net Change in Fund Cash Balances	2,051	2,051
Fund Cash Balances, January 1	3,203	3,203
Fund Cash Balances, December 31	\$ 5,254	\$ 5,254

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

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Upper Arlington Public Library (the Library), Franklin County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Upper Arlington City Council appoints a 7-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

The Library is a member of the Central Library Consortium (CLC), a joint venture to provide reduced costs to individual member libraries through collective efforts and resource sharing. The CLC is further discussed in Note 9.

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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary 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:

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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Library had the following significant Special Revenue Funds:

UAPL FRIENDS- This Fund receives contributions made by the Friends of the Upper Arlington Public Library and accounts for related expenditures.

Restricted Donations- This Fund receives contributions made by other donors for a specific purpose or use and accounts for the related expenditure pursuant to the donor’s instructions.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Library had the following significant capital project funds:

Building Improvement Fund – This Fund is used to account for monies set aside for building construction and improvements as well as technology outlays.

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Agency Funds

Fiduciary Funds include agency funds. Agency Funds are purely Custodial in nature and are used to hold resources of individuals, organizations and other governments. The Library disburses these funds as directed by the individual organization or other government. The Library had the following significant Agency Fund:

Flexible Spending Account – This fund is used to hold employee contributions for future medical expenses and in doing so reduces taxable income.

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.

Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end Budgetary expenditures may not exceed appropriations at the fund level for all funds with the exception of the General Fund, where budget categories are approved.

A summary of 2018 budgetary activity appears in Note 3

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 per 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.

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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:

Nonspendable The Library classifies assets as *nonspendable* 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.

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,929,961	\$6,125,046	\$195,085
Special Revenue	101,790	115,065	13,275
Capital Projects	200,000	329,645	129,645
Total	\$6,231,751	\$6,569,756	\$338,005

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,234,383	\$5,819,464	\$414,919
Special Revenue	180,823	132,067	48,756
Capital Projects	481,608	289,468	192,140
Total	\$6,896,814	\$6,240,999	\$655,815

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	\$446,151
Certificates of deposit	100,587
Total deposits	546,738
STAR Ohio	3,434,495
Total investments	3,434,495
Total deposits and investments	\$3,981,233

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or 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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Grants in Aid and 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.

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. 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 (if material).

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Director and Officers Liability
- Vehicles; and
- Errors and omissions.

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.

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 – Jointly Governed Organizations

The Library is a member of the Central Library Consortium (CLC). The CLC is a separate entity established as a joint venture to provide reduced costs to the individual member libraries through collective efforts and cooperative resource sharing. The CLC undertakes projects that strive to complement the existing resources available through the State Library regional system. The CLC, which commenced in 1988, has seventeen members consisting of the Alexandria Public Library, the Bexley Public Library, the Columbus Metropolitan Library, the Delaware County Public Library, the Fairfield County District Library, the Grandview Heights Public Library, the Granville Public Library Association, the London Public Library, the Marysville Public Library, Pataskala Public Library, Pickaway County District Library, Pickerington Public Library, Plain City Public Library, Southwest Public Libraries, the Upper Arlington Public Library, the Wagnalls Memorial Library and the Worthington Libraries.

The Upper Arlington Public Library became a member of the CLC during January 2014. The CLC is governed by a Council consisting of one appointed representative by each member library. The CLC's financial operations are accounted for in the Agency Fund of the Grandview Heights Public Library. Members make payments to the CLC in amounts established in the agreements for individual projects undertaken by the CLC. The Upper Arlington Public Library paid \$ 140,193 to the CLC in 2018.

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Jointly Governed Organizations (Continued)

The Library has no explicit and measurable equity interest in the venture. The Library's only ongoing financial responsibility to the CLC is for participating in projects that have been entered into by the Library. Financial information and statements can be obtained from the Grandview Heights Public Library, Franklin County, 1685 West 1st Ave, Columbus, Ohio 43212.

**UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$ 2,782,718	\$ -	\$ -	\$ 2,782,718
Public Library	2,567,627	-	-	2,567,627
Intergovernmental	396,434	-	-	396,434
Patron Fines and Fees	138,012	-	-	138,012
Services Provided to Other Entities	32,192	-	-	32,192
Contributions, Gifts and Donations	55,812	44,801	-	100,613
Earnings on Investments	35,386	616	-	36,002
Miscellaneous	19,865	-	-	19,865
Total Cash Receipts	<u>6,028,046</u>	<u>45,417</u>	<u>-</u>	<u>6,073,463</u>
Cash Disbursements:				
Current:				
Library Services:				
Public Services and Programs	2,213,239	41,374	-	2,254,613
Collection Development and Processing	1,239,681	4,747	-	1,244,428
Support Services:				
Facilities Operation and Maintenance	442,009	-	-	442,009
Information Services	434,212	421	-	434,633
Business Administration	1,050,318	4,227	-	1,054,545
Capital Outlay	73,872	2,538	293,465	369,875
Total Cash Disbursements	<u>5,453,331</u>	<u>53,307</u>	<u>293,465</u>	<u>5,800,103</u>
Excess of Receipts Over/(Under) Disbursements	574,715	(7,890)	(293,465)	273,360
Other Financing Receipts (Disbursements):				
Transfers-In	-	-	204,974	204,974
Transfers-Out	(204,974)	-	-	(204,974)
Total Other Financing Receipts(Disbursements)	<u>(204,974)</u>	<u>-</u>	<u>204,974</u>	<u>-</u>
Net Change in Fund Cash Balances	369,741	(7,890)	(88,491)	273,360
Fund Cash Balances, January 1	<u>2,633,913</u>	<u>286,479</u>	<u>453,471</u>	<u>3,373,863</u>
Fund Cash Balances, December 31				
Restricted	-	278,589	-	278,589
Assigned	100,419	-	364,980	465,399
Unassigned	2,903,235	-	-	2,903,235
Fund Cash Balances, December 31	<u>\$ 3,003,654</u>	<u>\$ 278,589</u>	<u>\$ 364,980</u>	<u>\$ 3,647,223</u>

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

**UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Agency</u>	
Operating Cash Receipts:		
Contributions, Gifts and Donations	\$ 9,480	\$ 9,480
Total Operating Cash Receipts	9,480	9,480
Operating Cash Disbursements:		
Claims	11,164	11,164
Total Operating Cash Disbursements	11,164	11,164
Operating Income(Loss)	(1,684)	(1,684)
Non-Operating Receipts (Disbursements)		
Interest and Other Fiscal Charges	(113)	(113)
Total Non-operating Receipts (Disbursements)	(113)	(113)
Net Change in Fund Cash Balances	(1,797)	(1,797)
Fund Cash Balances, January 1	5,000	5,000
Fund Cash Balances, December 31	\$ 3,203	\$ 3,203

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

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Upper Arlington Public Library (the Library), Franklin County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Upper Arlington City Council appoints a 7-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

The Library is a member of the Central Library Consortium (CLC), a joint venture to provide reduced costs to individual member libraries through collective efforts and resource sharing. The CLC is further discussed in Note 9.

The Library’s management believes these financial statements present all activities for which the Library is financially accountable. Note 2 to the financial statements describes these assets.

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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary 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:

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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Library had the following significant Special Revenue Funds:

UAPL FRIENDS- This Fund receives contributions made by the Friends of the Upper Arlington Public Library and accounts for related expenditures.

Restricted Donations- This Fund receives contributions made by other donors for a specific purpose or use and accounts for the related expenditure pursuant to the donor’s instructions.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Library had the following significant capital project funds:

Building Improvement Fund – This Fund is used to account for monies set aside for building construction and improvements as well as technology outlays.

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Agency Funds

Fiduciary Funds include agency funds. Agency Funds are purely Custodial in nature and are used to hold resources of individuals, organizations and other governments. The Library disburses these funds as directed by the individual organization or other government. The Library had the following significant Agency Fund:

Flexible Spending Account – This fund is used to hold employee contributions for future medical expenses and in doing so reduces taxable income.

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.

Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end Budgetary expenditures may not exceed appropriations at the fund level for all funds with the exception of the General Fund, where budget categories are approved.

A summary of 2017 budgetary activity appears in Note 3

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 per 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.

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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:

Nonspendable The Library classifies assets as *nonspendable* 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.

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,015,842	\$6,028,046	\$12,204
Special Revenue	110,100	45,417	(64,683)
Capital Projects	304,974	204,974	(100,000)
Total	\$6,430,916	\$6,278,437	(\$152,479)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,923,450	\$5,658,305	\$265,145
Special Revenue	150,000	53,307	96,693
Capital Projects	534,872	293,465	241,407
Total	\$6,608,322	\$6,005,077	\$603,245

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:

Demand deposits	2017 \$332,415
Certificates of deposit	177,024
Total deposits	509,439
STAR Ohio	3,140,987
Total investments	3,140,987
Total deposits and investments	\$3,650,426

Deposits

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Deposits are insured by the Federal Deposit Insurance Corporation; or 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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Grants in Aid and 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.

Public utilities are also taxed on personal and real property located within the taxing district.

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

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. 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 (if material).

Commercial Insurance

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Library has obtained commercial insurance for the following risks:

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

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, 2017.

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 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017.

Note 9 – Jointly Governed Organizations

The Library is a member of the Central Library Consortium (CLC). The CLC is a separate entity established as a joint venture to provide reduced costs to the individual member libraries through collective efforts and cooperative resource sharing. The CLC undertakes projects that strive to complement the existing resources available through the State Library regional system. The CLC, which commenced in 1988, has seventeen members consisting of the Alexandria Public Library, the Bexley Public Library, the Columbus Metropolitan Library, the Delaware County Public Library, the Fairfield County District Library, the Grandview Heights Public Library, the Granville Public Library Association, the London Public Library, the Marysville Public Library, Pataskala Public Library, Pickaway County District Library, Pickerington Public Library, Plain City Public Library, Southwest Public Libraries, the Upper Arlington Public Library, the Wagnalls Memorial Library and the Worthington Libraries.

The Upper Arlington Public Library became a member of the CLC during January 2014. The CLC is governed by a Council consisting of one appointed representative by each member library. The CLC's financial operations are accounted for in the Agency Fund of the Grandview Heights Public Library. Members make payments to the CLC in amounts established in the agreements for individual projects undertaken by the CLC. The Upper Arlington Public Library paid \$ 169,190 to the CLC in 2017.

Note 9 – Jointly Governed Organizations (Continued)

Upper Arlington Public Library
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Library has no explicit and measurable equity interest in the venture. The Library's only ongoing financial responsibility to the CLC is for participating in projects that have been entered into by the Library. Financial information and statements can be obtained from the Grandview Heights Public Library, Franklin County, 1685 West 1st Ave, Columbus, Ohio 43212.

Note 10 – Prior Period Adjustment

Special Revenue Fund Balance, January 1, 2017- As previously stated	<u>\$ 291,479</u>
Amount Attributable to Flexible Spending Account	<u>(5,000)</u>
Special Revenue Fund Balance, January 1, 2017- Restated	<u><u>\$ 286,479</u></u>
Agency Fund Balance, January 1, 2017- As previously stated	<u>\$ 0</u>
Amount Attributable to Flexible Spending Account	<u>5,000</u>
Agency Fund Balance, January 1, 2017- Restated	<u><u>\$ 5,000</u></u>



**INDEPENDENT AUDITOR'S 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 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 Upper Arlington Public Library, Franklin County, (the Library) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated April 08, 2019 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.

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 opinion 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Entity's Response to Findings

The Entity's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Entity's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
April 08, 2019

UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDING NUMBER 2018-001

Financial Reporting-Material Weakness

Sound Financial reporting is the responsibility of the fiscal officer and Library Board and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Material misstatements were identified during the course of the audit which have not been prevented or detected by the Library's internal controls over financial reporting. Misstatements were identified in the following areas:

- Property and Other Local Taxes
- Intergovernmental

All of the above noted adjustments have been posted to the Library's financial statements and accounting system.

We recommend the Library's Fiscal officer take steps to ensure the accurate posting of all transactions to the ledgers. By exercising accuracy in recording financial activity, the Library can reduce posting errors and increase the reliability of the financial data throughout the year.

Officials' Response:

Homestead and Rollback revenue is posted as intergovernmental revenue on the Library's ledgers. In preparing the annual financial report this revenue was erroneously rolled into Property and Other Local Taxes. The Library will ensure intergovernmental revenue is correctly posted on the annual financial report.

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OHIO AUDITOR OF STATE KEITH FABER



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
JULY 9, 2019**