



**UPPER ARLINGTON PUBLIC LIBRARY
FRANKLIN COUNTY**

REGULAR AUDIT

FOR FISCAL YEARS ENDED DECEMBER 31, 1998 - 1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 1998	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 1997	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11

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REPORT OF INDEPENDENT ACCOUNTANTS

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

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, 1998 and December 31, 1997. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 1998 and December 31, 1997, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 1999 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 grants.

This report is intended solely for the information and use of the Board of Trustees, management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

August 4, 1999

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Capital Projects</u>	<u>(Memorandum Only) Total</u>
Cash receipts:			
State Income Taxes	\$3,124,166	\$0	\$3,124,166
Property Taxes	1,044,487	0	1,044,487
Patron fines and fees	159,257	0	159,257
Earnings on investments	39,484	0	39,484
Contributions, gifts and donations	5,768	0	5,768
Miscellaneous receipts	22,152	0	22,152
Total cash receipts	<u>4,395,314</u>	<u>0</u>	<u>4,395,314</u>
Cash disbursements:			
Current:			
Salaries and benefits	2,597,308	0	2,597,308
Purchased and contracted services	503,400	0	503,400
Other objects	8,573	0	8,573
Supplies	112,363	0	112,363
Library Materials	531,805	0	531,805
Capital outlay	266,176	0	266,176
Total cash disbursements	<u>4,019,625</u>	<u>0</u>	<u>4,019,625</u>
Total cash receipts over/(under) cash disbursements	<u>375,689</u>	<u>0</u>	<u>375,689</u>
Other financing receipts/(disbursements):			
Transfers-in	0	220,000	220,000
Transfers-out	(220,000)	0	(220,000)
Total other financing receipts/(disbursements)	<u>(220,000)</u>	<u>220,000</u>	<u>0</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	<u>155,689</u>	<u>220,000</u>	<u>375,689</u>
Fund cash balances, January 1	<u>378,615</u>	<u>90,000</u>	<u>468,615</u>
Fund cash balances, December 31	<u>\$534,304</u>	<u>\$310,000</u>	<u>\$844,304</u>
Reserves for encumbrances, December 31	<u>\$120,880</u>	<u>\$0</u>	<u>\$120,880</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only) Total</u>
Cash receipts:				
State Income Taxes	\$2,887,743	\$0	\$0	\$2,887,743
Property Taxes	752,681	0	0	752,681
Patron fines and fees	162,479	0	0	162,479
Earnings on investments	32,417	0	0	32,417
Contributions, gifts and donations	2,060	0	0	2,060
Miscellaneous receipts	5,949	0	0	5,949
Total cash receipts	<u>3,843,329</u>	<u>0</u>	<u>0</u>	<u>3,843,329</u>
Cash disbursements:				
Current:				
Salaries and benefits	2,473,425	0	0	2,473,425
Purchased and contracted services	436,190	0	0	436,190
Other objects	8,344	3,252	0	11,596
Supplies	104,184	0	0	104,184
Library Materials	504,505	0	0	504,505
Capital outlay	291,570	0	0	291,570
Total cash disbursements	<u>3,818,218</u>	<u>3,252</u>	<u>0</u>	<u>3,821,470</u>
Total cash receipts over/(under) cash disbursements	<u>25,111</u>	<u>(3,252)</u>	<u>0</u>	<u>21,859</u>
Other financing receipts/(disbursements):				
Transfers-in	0	0	90,000	90,000
Transfers-out	(90,000)	0	0	(90,000)
Total other financing receipts/(disbursements)	<u>(90,000)</u>	<u>0</u>	<u>90,000</u>	<u>0</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	<u>(64,889)</u>	<u>(3,252)</u>	<u>90,000</u>	<u>21,859</u>
Fund cash balances, January 1	<u>443,504</u>	<u>3,252</u>	<u>0</u>	<u>446,756</u>
Fund cash balances, December 31	<u>\$378,615</u>	<u>\$0</u>	<u>\$90,000</u>	<u>\$468,615</u>
Reserves for encumbrances, December 31	<u>\$175,562</u>	<u>\$0</u>	<u>\$0</u>	<u>\$175,562</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Library is also associated with the Upper Arlington Public Library Foundation (the Foundation). The Library Board of Trustees appoint the governing board of the Foundation, however, the Library Board cannot influence the Foundation's operations nor does the Foundation represent a potential financial benefit nor burden to the Library.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund

This fund is used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

Endowment Fund - This fund was used to account for Endowment donations. It was closed in 1997.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital projects fund:

Building Improvement Fund - This fund is used to account for monies set aside for a construction project. The project began in 1999.

E. Budgetary Process

The Ohio Administrative Code requires that each fund be budgeted annually.

Appropriations

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

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1998 and 1997 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Library.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	<u>1998</u>	<u>1997</u>
Demand deposits	\$144,304	\$68,615
Certificates of deposit	700,000	400,000
Total deposits and investments	<u>\$844,304</u>	<u>\$468,615</u>

Deposits:

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 1998 and December 31, 1997 was as follows:

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$4,307,441	\$4,395,314	\$87,873
Capital Projects	0	220,000	220,000
Total	<u>\$4,307,441</u>	<u>\$4,615,314</u>	<u>\$307,873</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$4,726,262	\$4,360,505	\$365,757
Capital Projects	0	0	0
Total	<u>\$4,726,262</u>	<u>\$4,360,505</u>	<u>\$365,757</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1997 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$3,832,631	\$3,843,329	\$10,698
Special Revenue	0	0	0
Capital Projects	0	90,000	90,000
	<hr/>	<hr/>	<hr/>
Total	<u>\$3,832,631</u>	<u>\$3,933,329</u>	<u>\$100,698</u>

1997 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$4,293,923	\$4,083,780	\$210,143
Special Revenue	3,252	3,252	0
Capital Projects	0	0	0
	<hr/>	<hr/>	<hr/>
Total	<u>\$4,297,175</u>	<u>\$4,087,032</u>	<u>\$210,143</u>

4. TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangible tax of LLGSF revenues and its population.

The County Budget Commission allocates these funds to each qualified library board based on the needs of such library for the construction of new library buildings, improvements, operations, maintenance or other expenses. The Budget Commission cannot reduce its allocation of these funds to any library on account of any additional revenues realized by such library.

5. RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are also prescribed by the Ohio Revised Code. The PERS member contribution of 8.5% of gross salary was paid by the Library for each employee. The Library also contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 1998.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

6. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

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

7. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Library's operations as early as fiscal year 1999.

The Library has completed an inventory of computer systems and other equipment necessary to conducting Library operations and has identified such systems as being the library's accounting and payroll processing systems, circulation system, and the HVAC (Heating, Ventilation, and Air Conditioning) systems.

The Library has received written notification from the vendor of their accounting and payroll processing systems, Software Solutions Incorporated, which indicates both the system hardware and software is believed to be Year 2000 compliant.

The Library has received written assurances from the vendor of the software for the circulation system, VTLS, which indicates this system is believed to be Year 2000 compliant.

The Library has received written assurances from the Trane Company that the Library's HVAC systems have been validated and are believed to be Year 2000 compliant.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Library is or will be Year 2000 ready, that the Library remediation efforts will be successful in whole or in part, or that parties with whom the Library does business will be Year 2000 ready.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

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, 1998 and December 31, 1997, and have issued our report thereon dated August 4, 1999. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated August 4, 1999.

This report is intended for the information and use of the Board of Trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

August 4, 1999



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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
JANUARY 18, 2000**