



Dave Yost • Auditor of State

MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY

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Dave Yost • Auditor of State

Milan-Berlin Township Public Library
Erie County
19 E. Church Street
P.O. Box 1550
Milan, Ohio 44846-1550

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 29, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Milan-Berlin Township Public Library
Erie County
19 E. Church Street
P.O. Box 1550
Milan, Ohio 44846-1550

To the Board of Trustees:

We have audited the accompanying financial statements of the Milan-Berlin Township Public Library, Erie County, Ohio (the Library), as of and for the years ended December 31, 2010 and 2009. 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 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 audits 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audits provide 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, 2010 and 2009 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, 2010 and 2009, 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 Milan-Berlin Township Public Library, Erie County, as of December 31, 2010 and 2009, 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 June 29, 2011, 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 audits.



Dave Yost
Auditor of State

June 29, 2011

**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$323,634				\$323,634
Library and Local Government Support	318,763				318,763
Intergovernmental	65,301				65,301
Patron Fines and Fees	18,644				18,644
Services Provided to Other Entities	5				5
Contributions, Gifts and Donations	2,861	\$2,402			5,263
Earnings on Investments	18,062	121,091			139,153
Miscellaneous	925	6,950			7,875
Total Cash Receipts	748,195	130,443			878,638
Cash Disbursements:					
Current:					
Salaries	447,279				447,279
Employee Fringe Benefits	72,627				72,627
Purchased and Contractual Services	115,533	4,592	\$3,636		123,761
Library Materials and Information	135,013	2,958			137,971
Supplies	30,462				30,462
Other	2,399				2,399
Capital Outlay		2,600	59,590		62,190
Total Cash Disbursements	803,313	10,150	63,226		876,689
Total Receipts Over/(Under) Disbursements	(55,118)	120,293	(63,226)		1,949
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets	974				974
Other Financing Sources	14				14
Other Financing Uses		(42,155)			(42,155)
Total Other Financing Receipts / (Disbursements)	988	(42,155)			(41,167)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(54,130)	78,138	(63,226)		(39,218)
Fund Cash Balances, January 1	872,924	2,514,479	146,537	\$21,419	3,555,359
Fund Cash Balances, December 31	\$818,794	\$2,592,617	\$83,311	\$21,419	\$3,516,141
Reserve for Encumbrances, December 31	\$11,674	\$4,608			\$16,282

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

**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$317,652				\$317,652
Library and Local Government Support	339,299				339,299
Intergovernmental	64,396				64,396
Patron Fines and Fees	18,194				18,194
Contributions, Gifts and Donations	1,500	\$2,626			4,126
Earnings on Investments	12,523	67,851		\$628	81,002
Miscellaneous	960				960
Total Cash Receipts	<u>754,524</u>	<u>70,477</u>		<u>628</u>	<u>825,629</u>
Cash Disbursements:					
Current:					
Salaries	410,042				410,042
Employee Fringe Benefits	69,476				69,476
Purchased and Contractual Services	101,182	4,555	\$5,667		111,404
Library Materials and Information	142,919	13,308		5,000	161,227
Supplies	30,227				30,227
Other	2,378				2,378
Capital Outlay		750	40,089		40,839
Total Cash Disbursements	<u>756,224</u>	<u>18,613</u>	<u>45,756</u>	<u>5,000</u>	<u>825,593</u>
Total Receipts Over/(Under) Disbursements	<u>(1,700)</u>	<u>51,864</u>	<u>(45,756)</u>	<u>(4,372)</u>	<u>36</u>
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets	183				183
Other Financing Sources	14				14
Other Financing Uses		(55,451)			(55,451)
Total Other Financing Receipts / (Disbursements)	<u>197</u>	<u>(55,451)</u>			<u>(55,254)</u>
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	<u>(1,503)</u>	<u>(3,587)</u>	<u>(45,756)</u>	<u>(4,372)</u>	<u>(55,218)</u>
Fund Cash Balances, January 1	<u>874,427</u>	<u>2,518,066</u>	<u>192,293</u>	<u>25,791</u>	<u>3,610,577</u>
Fund Cash Balances, December 31	<u>\$872,924</u>	<u>\$2,514,479</u>	<u>\$146,537</u>	<u>\$21,419</u>	<u>\$3,555,359</u>
Reserve for Encumbrances, December 31	<u>\$9,819</u>		<u>\$1,585</u>		<u>\$11,404</u>

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

**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 Milan-Berlin Township Public Library, Erie County, Ohio (the Library), as a body corporate and politic. The Berlin-Milan Local School District Board of Education appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

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, corporate equity securities, U.S. Treasury Notes and common stock at cost (or fair value when donated). Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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.

**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Funds:

Williams Fund - This fund was set up as a bequest given to the Library to be used for Library purposes.

Harley Brownell Gibbs Trust - This fund was set up as a bequest given to the Library to be used for Library purposes.

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Library had the following significant Capital Project Fund:

Building and Repair Fund - This fund receives excess tax revenues from the General Fund to be used for construction and repair of the Library's two branch buildings.

5. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Library's programs. The Library had the following significant Permanent Fund:

Galpin Trust Fund - This fund was set up as a bequest given to the Library for the interest to be used for Library purposes.

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 fund, function, and object level of control.

A summary of 2010 and 2009 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.

**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2010	2009
Demand deposits	\$173,840	\$183,185
Certificates of deposit	2,034,721	1,691,053
Other time deposits (savings and NOW accounts)		
Total deposits	2,208,561	1,874,238
Cash and Cash Equivalents	126,308	29,763
STAR Ohio	359,091	808,662
Equity Securities	536,675	588,686
Money Market Mutual Fund	16,691	706
Corporate and Foreign Bonds	110,038	128,732
U.S. Treasury Notes	152,415	120,396
Preferred Equity Securities	2,186	
Donated Stock	4,176	4,176
Total investments	1,307,580	1,681,121
Total deposits and investments	\$3,516,141	\$3,555,359

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

Investments: A financial institution's trust department holds the Library's cash equivalents, U.S. Treasury Notes, Corporate and Foreign Bonds, and Equity Securities in book entry form in the Library's name.

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

**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$726,364	\$749,183	\$22,819
Special Revenue	66,750	130,443	63,693
Permanent	200		(200)
Total	\$793,314	\$879,626	\$86,312

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$826,250	\$814,987	\$11,263
Special Revenue	594,450	56,913	537,537
Capital Projects	94,500	63,226	31,274
Permanent	100		100
Total	\$1,515,300	\$935,126	\$580,174

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$810,692	\$754,721	(\$55,971)
Special Revenue	91,450	70,477	(20,973)
Permanent	600	628	28
Total	\$902,742	\$825,826	(\$76,916)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$804,600	\$766,043	\$38,557
Special Revenue	597,600	74,064	523,536
Capital Projects	97,500	47,341	50,159
Permanent	5,100	5,000	100
Total	\$1,504,800	\$892,448	\$612,352

**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. LIBRARY AND LOCAL GOVERNMENT SUPPORT AND TAX RECEIPTS

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. The County Budget Commission bases the amount for distribution on the needs of such library for the construction of new library buildings, parts of buildings, improvements, operation, maintenance, or other expenses. The County 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.

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

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 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. For 2010 and 2009, 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, 2010.

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.

**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Dave Yost • Auditor of State

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

Milan-Berlin Township Public Library
Erie County
19 E. Church Street
P.O. Box 1550
Milan, Ohio 44846-1550

To the Board of Trustees:

We have audited the financial statements of the Milan-Berlin Township Public Library, Erie County, Ohio (the Library), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 29, 2011 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 also noted the Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audits 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 audits, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *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 more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 audits 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*.

We did note certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated June 29, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

June 29, 2011



Dave Yost • Auditor of State

MILAN BERLIN TOWNSHIP PUBLIC LIBRARY

ERIE 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 19, 2011