



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

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008



Mary Taylor, CPA
Auditor of State

MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY

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Mary Taylor, CPA
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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 17, 2009

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Mary Taylor, CPA

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, (the Library) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our 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(B) and 115.56 mandate 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, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2009, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.



Mary Taylor, CPA
Auditor of State

November 17, 2009

**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, 2008**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property and Other Local Taxes	\$334,473				\$334,473
Library and Local Government Support	412,097				412,097
Intergovernmental	45,162	\$7,322			52,484
Patron Fines and Fees	16,455				16,455
Services Provided to Other Entities	15				15
Contributions, Gifts and Donations	1,079	2,347			3,426
Earnings on Investments	23,867	126,637		\$661	151,165
Miscellaneous	88				88
Total Cash Receipts	833,236	136,306		661	970,203
Cash Disbursements:					
Current:					
Salaries	357,446				357,446
Employee Fringe Benefits	64,458				64,458
Purchased and Contractual Services	78,170	4,577	\$2,453		85,200
Library Materials and Information	125,391	579			125,970
Supplies	16,658				16,658
Other	6,129	9,778	31,868		47,775
Total Cash Disbursements	648,252	14,934	34,321		697,507
Total Receipts Over/(Under) Disbursements	184,984	121,372	(34,321)	661	272,696
Other Financing Receipts / (Disbursements):					
Transfers-In		2,456			2,456
Transfers-Out	(2,456)				(2,456)
Other Financing Sources	1,040				1,040
Other Financing Uses		(55,663)			(55,663)
Total Other Financing Receipts / (Disbursements)	(1,416)	(53,207)			(54,623)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	183,568	68,165	(34,321)	661	218,073
Fund Cash Balances, January 1	690,695	2,449,900	226,614	25,130	3,392,339
Fund Cash Balances, December 31	\$874,263	\$2,518,065	\$192,293	\$25,791	\$3,610,412
Reserve for Encumbrances, December 31	\$10,248		\$539		\$10,787

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, 2007**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$354,275				\$354,275
Library and Local Government Support	419,553				419,553
Intergovernmental	25,526				25,526
Patron Fines and Fees	17,785				17,785
Services Provided to Other Entities	690				690
Contributions, Gifts and Donations	1,241	\$13,810			15,051
Earnings on Investments	37,629	125,447		\$940	164,016
Miscellaneous		2,049			2,049
Total Cash Receipts	<u>856,699</u>	<u>141,306</u>		<u>940</u>	<u>998,945</u>
Cash Disbursements:					
Current:					
Salaries	362,975				362,975
Employee Fringe Benefits	62,074				62,074
Purchased and Contractual Services	87,917	4,922	\$62		92,901
Library Materials and Information	114,079	602			114,681
Supplies	11,059				11,059
Other	6,167	2,893	18,217		27,277
Capital Outlay		12,885			12,885
Total Cash Disbursements	<u>644,271</u>	<u>21,302</u>	<u>18,279</u>		<u>683,852</u>
Total Receipts Over/(Under) Disbursements	212,428	120,004	(18,279)	940	315,093
Fund Cash Balances, January 1	<u>478,267</u>	<u>2,329,896</u>	<u>244,893</u>	<u>24,190</u>	<u>3,077,246</u>
Fund Cash Balances, December 31	<u>\$690,695</u>	<u>\$2,449,900</u>	<u>\$226,614</u>	<u>\$25,130</u>	<u>\$3,392,339</u>
Reserve for Encumbrances, December 31	<u>\$14,428</u>		<u>\$1,818</u>		<u>\$16,246</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, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Milan-Berlin Township Public Library, Erie County, (the Library) as a body corporate and politic. The Berlin-Milan 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, repurchase agreements, 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.

2. Special Revenue Funds

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Berlin Library Grant-Wightman – This fund was established to account for the receipt and disbursement of grant funds for the purchase of learning and teaching materials to be used by teachers at the Berlin Township Library.

Sandusky/Erie Community Foundation – This fund was established to account for the receipt and disbursement of grant funds for the purchase of shelving at the Berlin Township Library.

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.

4. 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 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

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

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

	2008	2007
Demand deposits	\$42,816	\$167,675
Certificates of deposit	1,269,097	1,035,638
Total deposits	1,311,913	1,203,313
U.S. Treasury Notes	178,056	191,602
STAR Ohio	1,320,719	1,155,222
Corporate and Foreign Bonds	138,364	131,241
Cash Equivalents	27,762	34,607
Equity Securities	633,598	676,354
Total investments	2,298,499	2,189,026
Total deposits and investments	\$3,610,412	\$3,392,339

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, US Treasury Notes, Corporate and Foreign bonds, and equity securities in book entry form in the Library's name.

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

3. BUDGETARY ACTIVITY

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

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$858,063	\$834,276	(\$23,787)
Special Revenue	118,785	138,762	19,977
Permanent	258	661	403
Total	\$977,106	\$973,699	(\$3,407)

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

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

3. BUDGETARY ACTIVITY (CONTINUED)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$769,484	\$660,956	\$108,528
Special Revenue	597,478	70,597	526,881
Capital Projects	99,318	34,860	64,458
Permanent	100	100	100
Total	<u>\$1,466,380</u>	<u>\$766,413</u>	<u>\$699,967</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$837,821	\$856,699	\$18,878
Special Revenue	66,843	141,306	74,463
Permanent	335	940	605
Total	<u>\$904,999</u>	<u>\$998,945</u>	<u>\$93,946</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$758,209	\$658,699	\$99,510
Special Revenue	590,300	21,302	568,998
Capital Projects	90,792	20,097	70,695
Permanent	700	700	700
Total	<u>\$1,440,001</u>	<u>\$700,098</u>	<u>\$739,903</u>

4. GRANTS-IN-AID AND TAX RECEIPTS

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

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

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

4. GRANTS-IN-AID AND TAX RECEIPTS (CONTINUED)

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

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.

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Mary Taylor, CPA

Auditor of State

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

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, (the Library) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated November 17, 2009 wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. 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(B) and 115.56 mandate 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 expressing our opinion on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

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

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

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

We noted certain matters that we reported to the Library's management in a separate letter dated November 17, 2009.

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 noncompliance or other matters that we reported to the Library's management in a separate letter dated November 17, 2009.

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



Mary Taylor, CPA
Auditor of State

November 17, 2009

MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 and 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Financial Reporting – Improper posting of Revenues	Yes	



Mary Taylor, CPA
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
DECEMBER 8, 2009**