



Mary Taylor, CPA
Auditor of State

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

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Mary Taylor, CPA
Auditor of State

Reuben McMillan Free Library Association
Mahoning County
305 Wick Avenue
Youngstown, Ohio 44503

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

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Auditor of State

June 30, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Reuben McMillan Free Library Association
Mahoning County
305 Wick Avenue
Youngstown, Ohio 44503

To the Board of Trustees:

We have audited the accompanying financial statements of Reuben McMillan Free Library Association, Mahoning County, (the Library) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, 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 Reuben McMillan Free Library Association, Mahoning County, as of December 31, 2009 and 2008, 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 30, 2010, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 30, 2010

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

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

	<u>All Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Internal Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$3,090,708			\$3,090,708
Library and Local Government Support	8,040,209			8,040,209
Intergovernmental	748,623			748,623
Patron Fines and Fees	247,350			247,350
Contributions, Gifts and Donations	72,500	\$55,768		128,268
Earnings on Investments	20,759	23,671		44,430
Miscellaneous	101,965	50		102,015
	<u>12,322,114</u>	<u>79,489</u>	<u>0</u>	<u>12,401,603</u>
Total Cash Receipts				
	<u>12,322,114</u>	<u>79,489</u>	<u>0</u>	<u>12,401,603</u>
Cash Disbursements:				
Current:				
Salaries	6,075,145			6,075,145
Employee Fringe Benefits	1,860,811			1,860,811
Purchased and Contractual Services	1,928,457			1,928,457
Library Materials and Information	1,428,290			1,428,290
Supplies	186,186			186,186
Other	23,148	9,807		32,955
Capital Outlay	99,062	1,818,698		1,917,760
	<u>11,601,099</u>	<u>1,828,505</u>	<u>0</u>	<u>13,429,604</u>
Total Cash Disbursements				
	<u>11,601,099</u>	<u>1,828,505</u>	<u>0</u>	<u>13,429,604</u>
Total Receipts Over/(Under) Disbursements	<u>721,015</u>	<u>(1,749,016)</u>	<u>0</u>	<u>(1,028,001)</u>
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets		54,650		54,650
Transfers-In	32,970			32,970
Transfers-Out	(200)		(\$32,770)	(32,970)
	<u>32,770</u>	<u>54,650</u>	<u>(32,770)</u>	<u>54,650</u>
Total Other Financing Receipts / (Disbursements)				
	<u>32,770</u>	<u>54,650</u>	<u>(32,770)</u>	<u>54,650</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>753,785</u>	<u>(1,694,366)</u>	<u>(32,770)</u>	<u>(973,351)</u>
Fund Cash Balances, January 1	<u>2,209,323</u>	<u>9,732,678</u>	<u>32,770</u>	<u>11,974,771</u>
Fund Cash Balances, December 31	<u>\$2,963,108</u>	<u>\$8,038,312</u>	<u>\$0</u>	<u>\$11,001,420</u>
Reserve for Encumbrances, December 31	<u>\$557,371</u>	<u>\$177,144</u>	<u>\$0</u>	<u>\$734,515</u>

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

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

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

	<u>All Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Internal Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$3,188,943			\$3,188,943
Library and Local Government Support	9,784,495			9,784,495
Intergovernmental	682,169			682,169
Patron Fines and Fees	247,684			247,684
Services Provided to Other Entities	21			21
Contributions, Gifts and Donations	200,589	\$181,109		381,698
Earnings on Investments	181,463	214,801	\$464	396,728
Miscellaneous	141,344			141,344
Total Cash Receipts	<u>14,426,708</u>	<u>395,910</u>	<u>464</u>	<u>14,823,082</u>
Cash Disbursements:				
Current:				
Salaries	6,366,373			6,366,373
Employee Fringe Benefits	2,075,736			2,075,736
Purchased and Contractual Services	2,061,740			2,061,740
Library Materials and Information	1,745,214			1,745,214
Supplies	221,518			221,518
Other	49,769	347		50,116
Capital Outlay	111,147	5,938,636		6,049,783
Total Cash Disbursements	<u>12,631,497</u>	<u>5,938,983</u>	<u>0</u>	<u>18,570,480</u>
Total Receipts Over/(Under) Disbursements	<u>1,795,211</u>	<u>(5,543,073)</u>	<u>464</u>	<u>(3,747,398)</u>
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets		33,750		33,750
Transfers-In	111,650	1,644,000		1,755,650
Transfers-Out	(1,644,000)		(111,650)	(1,755,650)
Total Other Financing Receipts / (Disbursements)	<u>(1,532,350)</u>	<u>1,677,750</u>	<u>(111,650)</u>	<u>33,750</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>262,861</u>	<u>(3,865,323)</u>	<u>(111,186)</u>	<u>(3,713,648)</u>
Fund Cash Balances, January 1	<u>1,946,462</u>	<u>13,598,001</u>	<u>143,956</u>	<u>15,688,419</u>
Fund Cash Balances, December 31	<u>\$2,209,323</u>	<u>\$9,732,678</u>	<u>\$32,770</u>	<u>\$11,974,771</u>
Reserve for Encumbrances, December 31	<u>\$583,687</u>	<u>\$1,547,707</u>	<u>\$0</u>	<u>\$2,131,394</u>

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

**REUBEN McMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 Reuben McMillan Free Library Association, Mahoning County, (the Library) as a body corporate and politic. The Library appoints a seventeen-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

Reuben McMillan Free Library Association is a not-for-profit corporation which adopted its articles of incorporation in accordance with Ohio Revised Code Section 1713.28. The Library is funded primarily with public monies to provide free library services to the citizens of Mahoning County.

The Library was established October 27, 1880, under the name "The Youngstown Library Association" and officially changed in 1898 to "The Reuben McMillan Free Library Association".

Corporate Account

The Reuben McMillan Free Library Association maintains a corporate account which contains private monies donated to the Library which are not public funds and which are not included on these financial statements. The corporate account is subject to a separate audit and the audit report may be obtained from the Fiscal Officer of the Library.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library's U.S. Treasury Notes, Money Market Accounts, and Overnight Repurchase Agreements, are recorded at cost.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project funds:

Building and Repair Fund – This fund received monies from investment earnings, contributions and the sale of fixed assets. Proceeds were used for buildings and building improvements.

Technology Development Fund – This fund received monies from investment earnings. Proceeds were used to purchase technological equipment.

3. Proprietary Fund (Internal Service Fund)

These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The Library had the following significant internal service fund:

Self-Insurance Fund – This fund was used to account for employee medical benefits through December 31, 2003. The Library started using a commercial carrier for health insurance January 1, 2004. Transfers were made out of this fund and into the General fund in 2008 for \$111,650 and in 2009 for the balance in the fund \$32,770. This money was transferred out of the Self-Insurance fund and into the General fund because the purpose of the fund was complete and had been largely inactive since 2005.

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 object level of control.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Library maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2009	2008
Demand deposits	\$272,535	\$174,261
Money Market account	0	4,649,869
Change Funds	1,780	1,980
Total deposits	274,315	4,826,110
U.S. Treasury Notes	3,488,816	3,019,992
Repurchase agreement	8,211,640	3,155,318
Total investments	11,700,456	6,175,310
Total deposits and investments	\$11,974,771	\$11,001,420

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Library.

Investments: The Federal Reserve holds the Library's U.S. Treasury Notes in book-entry form in the name of the Library's financial institution. The financial institution maintains records identifying the Library as owner of these securities.

The Library's financial institution transfers securities to the Library's agent to collateralize repurchase agreements. The securities are not in the Library's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and December 31, 2008 follows:

2009 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$12,298,042	\$12,355,084	\$57,042
Capital Projects	132,413	134,139	1,726
Internal Service	0	0	0
Total	\$12,430,455	\$12,489,223	\$58,768

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$12,719,086	\$12,158,670	\$560,416
Capital Projects	2,101,001	2,005,649	95,352
Internal Service	32,770	32,770	0
Total	\$14,852,857	\$14,197,089	\$655,768

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,538,358	\$14,538,358	\$0
Capital Projects	2,073,660	2,073,660	0
Internal Service	464	464	0
Total	\$16,612,482	\$16,612,482	\$0

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$14,963,499	\$14,859,184	\$104,315
Capital Projects	7,896,154	7,486,690	409,464
Internal Service	111,650	111,650	0
Total	\$22,971,303	\$22,457,524	\$513,779

4. GRANTS-IN-AID AND TAX RECEIPTS

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

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. GRANTS-IN-AID AND TAX RECEIPTS

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

For the period of the audit the Library had a 5-year .6 mill replacement levy through tax year 2010, collection year 2011 and a new 5-year .4 mill levy starting with tax year 2005, collection year 2006. In the November 2009 election a 5-year 1 mill renewal levy was passed starting with tax year 2010, collection year 2011.

5. RETIREMENT SYSTEMS

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>PERS – Local</i>	<i>2008</i>	<i>10%</i>	<i>14%</i>
<i>PERS – Local</i>	<i>2009</i>	<i>10%</i>	<i>14%</i>

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 2009 and 2008, OPERS members contributed 10 and 10%, respectively, of their gross salaries and the Library contributed an amount equaling 14 and 14%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2009.

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*

Reuben McMillan Free Library Association
Mahoning County
305 Wick Avenue
Youngstown, Ohio 44503

To the Board of Trustees:

We have audited the financial statements of the Reuben McMillan Free Library Association (the Library) as of and for the year ended December 31, 2009 and 2008, and have issued our report thereon dated June 30, 2010 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for 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 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*.

Reuben McMillan Free Library Association
Mahoning County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 30, 2010



Mary Taylor, CPA
Auditor of State

REUBEN MCMILLAN FREE LIBRARY ASSOCIATION

MAHONING 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
OCTOBER 12, 2010**