



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

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003-2004



**Auditor of State
Betty Montgomery**

MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY

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**Auditor of State
Betty Montgomery**

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 a February 2, 2005 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 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.

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Betty Montgomery
Auditor of State

September 27, 2005

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**Auditor of State
Betty Montgomery**

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, 2004 and 2003. 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.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position for the year 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 September 27, 2005, 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.



Betty Montgomery
Auditor of State

September 27, 2005

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	General	Capital Projects	Expendable Trust	Nonexpendable Trust	
Cash Receipts:					
Property and Other Local Taxes	\$164,145				\$164,145
Other Government Grants-In-Aid	419,821		\$5,083		424,904
Patron Fines and Fees	20,317				20,317
Earnings on Investments	5,739		55,543	\$389	61,671
Services Provided to Other Entities	1,382				1,382
Contributions, Gifts and Donations	455		6,317		6,772
Total Cash Receipts	611,859		66,943	389	679,191
Cash Disbursements:					
Current:					
Salaries and Benefits	394,413				394,413
Purchased and Contracted Services	74,550	\$5,010			79,560
Library Materials and Information	142,088		5,342		147,430
Supplies	15,021				15,021
Other Objects	6,134				6,134
Capital Outlay	6,925	26,986	662		34,573
Total Cash Disbursements	639,131	31,996	6,004		677,131
Total Cash Receipts Over/ (Under) Cash Disbursements	(27,272)	(31,996)	60,939	389	2,060
Other Financing Receipts/(Disbursements):					
Proceeds from Sales of Property	312				312
Other financing sources	143				143
Transfers-In	40,000				40,000
Transfers-Out		(40,000)			(40,000)
Total Other Financing Receipts/(Disbursements)	40,455	(40,000)			455
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,183	(71,996)	60,939	389	2,515
Fund Cash Balances, January 1	134,077	359,702	2,000,759	22,516	2,517,054
Fund Cash Balances, December 31	\$147,260	\$287,706	\$2,061,698	\$22,905	\$2,519,569
Reserves for Encumbrances, December 31	\$17,591	\$2,130			\$19,721

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 AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:					
Property and Other Local Taxes	\$153,966				\$153,966
Other Government Grants-In-Aid	415,942				415,942
Patron Fines and Fees	18,439				18,439
Earnings on Investments	8,765		\$69,074	\$1,779	79,618
Services Provided to Other Entities	660				660
Contributions, Gifts and Donations			3,084		3,084
Total Cash Receipts	597,772		72,158	1,779	671,709
Cash Disbursements:					
Current:					
Salaries and Benefits	369,797				369,797
Purchased and Contracted Services	78,871	\$2,504			81,375
Library Materials and Information	164,730		11,882	200	176,812
Supplies	15,811				15,811
Other Objects	5,098				5,098
Capital Outlay	27,856	6,187			34,043
Total Cash Disbursements	662,163	8,691	11,882	200	682,936
Total Cash Receipts Over/ (Under) Cash Disbursements	(64,391)	(8,691)	60,276	1,579	(11,227)
Fund Cash Balances, January 1	198,468	368,393	1,940,483	20,937	2,528,281
Fund Cash Balances, December 31	\$134,077	\$359,702	\$2,000,759	\$22,516	\$2,517,054
Reserves for Encumbrances, December 31	\$26,326	\$11,008			\$37,334

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, 2004 AND 2003**

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. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements 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. Cash and Investments

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

The Library values certificates of deposit, corporate equity securities, and repurchase agreements at cost or fair value when donated. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

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 accounts for 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. The Library had the following significant capital project fund:

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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.

3. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the Library classifies the activity as a nonexpendable trust fund. The Library classifies other trust funds as expendable. The Library had the following significant fiduciary 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.

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 2004 and 2003 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.

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 CASH AND INVESTMENTS

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

	2004	2003
Demand deposits	\$189,188	\$1,355
Certificates of deposit	737,071	728,455
Total deposits	926,259	729,810
STAR Ohio	697,620	738,572
U.S. Treasury Bond Mutual Fund	330,000	330,000
Money Market Mutual Fund	67,310	220,233
Equity Securities	498,380	498,439
Total investments	1,593,310	1,787,244
Total deposits and investments	\$2,519,569	\$2,517,054

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities existing in physical or book-entry form.

A financial institution's trust department holds the Library's equity securities in book entry form in the Library's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$648,528	\$652,314	\$3,786
Fiduciary	74,349	67,332	(7,017)
Total	\$722,877	\$719,646	(\$3,231)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$727,726	\$656,722	\$71,004
Capital Projects	181,008	74,126	106,882
Fiduciary	590,750	6,004	584,746
Total	\$1,499,484	\$736,852	\$762,632

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$577,529	\$597,772	\$20,243
Fiduciary	84,768	73,937	(10,831)
Total	\$662,297	\$671,709	\$9,412

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$775,831	\$688,489	\$87,342
Capital Projects	367,000	19,699	347,301
Fiduciary	811,350	12,082	799,268
Total	\$1,954,181	\$720,270	\$1,233,911

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 Board 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 Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

Commercial Insurance

The Milan-Berlin Township Public Library has obtained commercial insurance for the following risks:

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

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**Auditor of State
Betty Montgomery**

**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, 2004 and 2003, and have issued our report thereon dated September 27, 2005, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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*. In a separate letter to the Library's management dated September 27, 2005, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 27, 2005



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 10, 2005**