



OHIO AUDITOR OF STATE
KEITH FABER



MILAN-BERLIN LIBRARY DISTRICT
ERIE COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Milan-Berlin Library District
Erie County
19 East Church Street, P.O. Box 1550
Milan, Ohio 44846

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Milan-Berlin Library District, Erie County, Ohio (the Library) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Library prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Library does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Milan-Berlin Library District, Erie County, Ohio as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

December 3, 2019

Milan-Berlin Library District
Erie County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$351,654				\$351,654
Public Library	355,502				355,502
Intergovernmental	42,332				42,332
Patron Fines and Fees	7,530				7,530
Contributions, Gifts and Donations	6,243	\$49,184	\$5,300		60,727
Earnings on Investments	11,878	28,740		\$48	40,666
Miscellaneous	2,938				2,938
<i>Total Cash Receipts</i>	<u>778,077</u>	<u>77,924</u>	<u>5,300</u>	<u>48</u>	<u>861,349</u>
Cash Disbursements					
Current:					
Library Services	642,078	208	4,412		646,698
Support Services	12,295				12,295
Capital Outlay		69,124			69,124
<i>Total Cash Disbursements</i>	<u>654,373</u>	<u>69,332</u>	<u>4,412</u>		<u>728,117</u>
<i>Excess of Receipts Over Disbursements</i>	<u>123,704</u>	<u>8,592</u>	<u>888</u>	<u>48</u>	<u>133,232</u>
Other Financing Receipts (Disbursements)					
Advances In	48,634	48,634			97,268
Advances Out	(48,634)	(48,634)			(97,268)
<i>Total Other Financing Receipts (Disbursements)</i>					
<i>Net Change in Fund Cash Balances</i>	123,704	8,592	888	48	133,232
<i>Fund Cash Balances, January 1</i>	<u>924,386</u>	<u>132,145</u>	<u>8,772</u>	<u>1,050,543</u>	<u>2,115,846</u>
Fund Cash Balances, December 31					
Nonspendable				828,128	828,128
Restricted		1,334		222,463	223,797
Committed		139,403	9,660		149,063
Assigned	14,039				14,039
Unassigned	1,034,051				1,034,051
<i>Fund Cash Balances, December 31</i>	<u>\$1,048,090</u>	<u>\$140,737</u>	<u>\$9,660</u>	<u>\$1,050,591</u>	<u>\$2,249,078</u>

See accompanying notes to the financial statements

Milan-Berlin Library District
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

Milan-Berlin Library District, Erie County, Ohio (the Library) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Edison 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Library's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects. The Library had the following significant Special Revenue Fund:

Berlin Library Remodel Fund The Berlin library remodel fund receives donations and contributions to be used to complete a vestibule project at the Berlin Heights Library.

Capital Project Funds These funds account for and report financial resources that are committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Library had the following significant Capital Project Fund:

Capital Projects Fund The capital projects fund receives donations and contributions to pay for capital projects which improve the overall value of Library property, with said improvements lasting for more than one year.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Library had the following significant Permanent Fund:

The Harley Brownwell Gibbs Fund This fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for Library purposes.

Milan-Berlin Library District
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

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 2018 budgetary activity appears in Note 3.

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 money market mutual funds, equity securities, corporate and foreign bonds, U.S. Treasury Notes, preferred equities, and common stock at cost (or fair value when donated). The Library's Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Milan-Berlin Library District
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Nonspendable The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The Board of Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Library Board or a Library official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$740,000	\$778,077	\$38,077
Special Revenue	78,835	77,924	(911)
Capital Projects	30,060	5,300	(24,760)
Permanent	45	48	3
Total	\$848,940	\$861,349	\$12,409

Milan-Berlin Library District
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$782,981	\$668,905	\$114,076
Special Revenue	82,334	69,332	13,002
Capital Projects	5,500	4,412	1,088
Permanent	80,000	80,000	80,000
Total	\$950,815	\$742,649	\$208,166

Note 4 – 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:

	2018
Demand deposits	\$192,269
Certificates of deposit	977,251
Other time deposits (savings and NOW accounts)	34,803
Total deposits	1,204,323
Money market mutual fund	16,691
STAR Ohio	222,574
Equity securities	536,675
Corporate and foreign bonds	110,038
U.S. Treasury notes	152,415
Preferred equity securities and common stock	6,362
Total investments	1,044,755
Total deposits and investments	\$2,249,078

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Library, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

A financial institution's trust department holds the Library's money market mutual fund, equity securities, corporate and foreign bonds, U.S. treasury notes, and preferred equity securities and common stock 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.

Milan-Berlin Library District
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Grants in Aid and Taxes

Grants in Aid

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 using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as intergovernmental receipts. 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.

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

Note 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.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees 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 2018, OPERS members contributed 10 percent of their gross salaries and the Library contributed an amount equaling 14 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2018.

Milan-Berlin Library District
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Milan-Berlin Library District
Erie County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$348,504				\$348,504
Public Library	343,676				343,676
Intergovernmental	43,838				43,838
Patron Fines and Fees	9,743				9,743
Contributions, Gifts and Donations	1,491	\$7,281			8,772
Earnings on Investments	9,980	27,770		\$138,360	176,110
Miscellaneous	3,363				3,363
<i>Total Cash Receipts</i>	<u>760,595</u>	<u>35,051</u>		<u>138,360</u>	<u>934,006</u>
Cash Disbursements					
Current:					
Library Services	640,548	600	\$4,491		645,639
Support Services	18,605				18,605
<i>Total Cash Disbursements</i>	<u>659,153</u>	<u>600</u>	<u>4,491</u>		<u>664,244</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>101,442</u>	<u>34,451</u>	<u>(4,491)</u>	<u>138,360</u>	<u>269,762</u>
Other Financing Receipts (Disbursements)					
Transfers In			5,000		5,000
Transfers Out	(5,000)				(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,000)</u>		<u>5,000</u>		
<i>Net Change in Fund Cash Balances</i>	96,442	34,451	509	138,360	269,762
<i>Fund Cash Balances, January 1</i>	<u>827,944</u>	<u>97,694</u>	<u>8,263</u>	<u>912,183</u>	<u>1,846,084</u>
Fund Cash Balances, December 31					
Nonspendable				828,080	828,080
Restricted		21,274		222,463	243,737
Committed		110,871	8,772		119,643
Assigned	42,981				42,981
Unassigned	881,405				881,405
<i>Fund Cash Balances, December 31</i>	<u>\$924,386</u>	<u>\$132,145</u>	<u>\$8,772</u>	<u>\$1,050,543</u>	<u>\$2,115,846</u>

See accompanying notes to the financial statements

Milan-Berlin Library District
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

Milan-Berlin Library District, Erie County, Ohio (the Library) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Edison 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Library's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects. The Library had the following significant Special Revenue Funds:

Milan Memorial Fund The Milan memorial fund receives donations and contributions to be used for books, audio and visual materials, technology upgrades, and décor for the Library.

Berlin Memorial Fund The Berlin memorial fund receives donations and contributions to be used for books, audio and visual materials, technology upgrades, and décor for the Library.

Capital Project Funds These funds account for and report financial resources that are committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Library had the following significant Capital Project Fund:

Capital Projects Fund This fund receives excess tax revenues from the general fund to pay for capital projects which improve the overall value of Library property, with said improvements lasting for more than one year.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Library had the following Significant Permanent Fund:

Milan-Berlin Library District
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Harley Brownwell Gibbs Fund This fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for Library purposes.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

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 2017 budgetary activity appears in Note 3.

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 money market mutual funds, equity securities, corporate and foreign bonds, U.S. Treasury Notes, preferred equities, and common stock at cost (or fair value when donated). The Library's Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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.

Milan-Berlin Library District
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The Board of Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Library Board or a Library official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$741,234	\$760,595	\$19,361
Special Revenue	57,525	35,051	(22,474)
Capital Projects		5,000	5,000
Permanent	70	138,360	138,290
Total	\$798,829	\$939,006	\$140,177

Milan-Berlin Library District
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$768,046	\$677,134	\$90,912
Special Revenue	150,700	600	150,100
Capital Projects	8,109	4,491	3,618
Permanent	5,000		5,000
Total	<u>\$931,855</u>	<u>\$682,225</u>	<u>\$249,630</u>

Note 4 – 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:

	2017
Demand deposits	<u>\$170,825</u>
Certificates of deposit	893,708
Other time deposits (savings and NOW accounts)	<u>10,853</u>
Total deposits	<u>1,075,386</u>
Money market mutual fund	16,691
STAR Ohio	218,278
Equity securities	536,675
Corporate and foreign bonds	110,038
U.S. Treasury notes	152,415
Preferred equity securities and common stock	<u>6,362</u>
Total investments	<u>1,040,459</u>
Total deposits and investments	<u>\$2,115,845</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Library, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

A financial institution's trust department holds the Library's money market mutual fund, equity securities, corporate and foreign bonds, U.S. treasury notes, and preferred equity securities and common stock 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.

Milan-Berlin Library District
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Grants in Aid and Taxes

Grants in Aid

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 using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as intergovernmental receipts. 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.

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

Note 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.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees 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 2017, OPERS members contributed 10 percent of their gross salaries and the Library contributed an amount equaling 14 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2017.

Milan-Berlin Library District
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017.

OHIO AUDITOR OF STATE KEITH FABER



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

Milan-Berlin Library District
Erie County
19 Easy Church Street, P.O. Box 1550
Milan, Ohio 44846

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Milan-Berlin Library District, Erie County, Ohio (the Library) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated December 3, 2019 wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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, opining 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*.

Library's Response to Finding

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Library's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

December 3, 2019

**MILAN-BERLIN LIBRARY DISTRICT
ERIE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018 were identified:

- Special Revenue Fund Type and Capital Projects Fund Type restricted fund balance in the amounts of \$139,403 and \$9,660, respectively, were reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- Special Revenue Fund Type and Capital Projects Fund Type contributions, gifts, and donations receipts in the amounts of \$49,184 and \$5,300, respectively, were incorrectly classified as intergovernmental receipts;
- Special Revenue Fund Type budgeted receipts and appropriation authority were increased in the amounts of \$24,000 and \$7,634, respectively, in order to bring amounts reported in the Budgetary Activity note to the financial statements in line with authorized budget amounts; and
- Permanent Fund Type appropriation authority was increased in the amount of \$80,000 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the authorized budget amount.

Also identified were the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2017:

- Special Revenue Fund Type contributions, gifts, and donations receipts in the amount of \$6,840 were incorrectly classified as intergovernmental receipts; and
- Special Revenue Fund Type and Capital Projects Fund Type restricted fund balance in the amounts of \$110,871 and \$8,772, respectively, were reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179).

These errors were not identified and corrected prior to the Library preparing its financial statements and notes to the financial statements due to deficiencies in the Library's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2018 and 2017.

**FINDING NUMBER 2018-001
(CONTINUED)**

To help ensure the Library's financial statements are complete and accurate, the Library should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following web site address for information on Governmental Accounting Standards Board Statement No. 54:
<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>

Officials' Response:

The Fiscal Officer clarified information with the staff at the Ohio Auditor's office, and has a better understanding of the provisions of Government Accounting Standards Board Statement No. 54. The Fiscal Officer will ensure proper classification and recording of financial activity in the future.

Milan Public Library
 19 E. Church Street
 PO Box 1550
 Milan, Ohio 44846



Berlin Heights Public Library
 4 E. Main Street
 PO Box 139
 Berlin Heights, Ohio 44814

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2018-001 in this report.	This error occurred due to deficiencies in the Library's internal controls over financial reporting. The Fiscal Officer clarified information with the staff at the Ohio Auditor's office, and has a better understanding of the provisions of Government Accounting Standards Board Statement No. 54. The Fiscal Officer will ensure proper classification and recording of financial activity in the future.

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OHIO AUDITOR OF STATE KEITH FABER



MILAN BERLIN LIBERTY DISTRICT

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 19, 2019**