



OHIO AUDITOR OF STATE  
**KEITH FABER**





MILAN-BERLIN LIBRARY DISTRICT  
ERIE COUNTY

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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 for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of Milan-Berlin Library District, Erie County, Ohio (the Library).

### ***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, 2020 and 2019, 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 for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Library, 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.

***Emphasis of Matter***

As discussed in Note 11 to the 2020 financial statements and in Note 9 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Library. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021, 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

November 23, 2021

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**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, 2020*

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$433,833				\$433,833
Public Library	367,874				367,874
Intergovernmental	44,118	\$224,998			269,116
Patron Fines and Fees	1,636				1,636
Contributions, Gifts and Donations	4,709	635	\$2,945		8,289
Earnings on Investments	22,180	28,452		\$111,082	161,714
Miscellaneous	2,655				2,655
<i>Total Cash Receipts</i>	<u>877,005</u>	<u>254,085</u>	<u>2,945</u>	<u>111,082</u>	<u>1,245,117</u>
<b>Cash Disbursements</b>					
Current:					
Library Services	683,075	1,334	4,200		688,609
Support Services	11,776	46,210			57,986
<i>Total Cash Disbursements</i>	<u>694,851</u>	<u>47,544</u>	<u>4,200</u>		<u>746,595</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>182,154</u>	<u>206,541</u>	<u>(1,255)</u>	<u>111,082</u>	<u>498,522</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In			9,000		9,000
Transfers Out	(9,000)				(9,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(9,000)</u>		<u>9,000</u>		
<i>Net Change in Fund Cash Balances</i>	173,154	206,541	7,745	111,082	498,522
<i>Fund Cash Balances, January 1</i>	<u>1,162,297</u>	<u>169,848</u>	<u>5,710</u>	<u>1,050,606</u>	<u>2,388,461</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,335,451</u>	<u>\$376,389</u>	<u>\$13,455</u>	<u>\$1,161,688</u>	<u>\$2,886,983</u>

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

**Milan-Berlin Library District**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**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:

***Coronavirus Relief Funds (Berlin and Milan)*** The Coronavirus Relief Fund Berlin and Coronavirus Relief Fund Milan received monies from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Funds were used to assist our efforts in stopping the spread of COVID-19, while still offering services to the public.

***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 (including General Fund Transfers) 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, 2020*

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***The Harley Brownwell Gibbs Fund*** The Harley Brownell Gibbs 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 Revised Code Section 117.38 and Ohio Administrative 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 Revised Code Section 117.38 and Ohio Administrative 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 2020 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 equity securities, corporate and foreign bonds, U.S. Treasury Notes, preferred equities, and common stock at cost (or fair value when donated). Money market mutual funds are recorded at share values the mutual funds report (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, 2020*

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**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*. For regulatory purposes, assigned fund balance in the General Fund is limited to encumbrances outstanding at year end.

**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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 9.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ended December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$854,485	\$877,005	\$22,520
Special Revenue	74,845	254,085	179,240
Capital Projects	268,140	11,945	(256,195)
Permanent	45	111,082	111,037
Total	\$1,197,515	\$1,254,117	\$56,602

**Milan-Berlin Library District**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$951,825	\$712,241	\$239,584
Special Revenue	84,453	47,544	36,909
Capital Projects	270,140	4,200	265,940
Permanent	80,000		80,000
Total	\$1,386,418	\$763,985	\$622,433

**Note 4 - Deposits and Investments**

To improve cash management, cash received by the Library is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Library's deposit and investment accounts are as follows:

	2020
<b><i>Cash Management Pool:</i></b>	
Demand deposits	\$296,480
Certificates of deposit	1,481,020
Total deposits	1,777,500
Money market mutual funds	74,582
STAR Ohio	229,411
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	1,109,483
Total deposits and investments	\$2,886,983

The Library does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020 the Library is holding \$13,308 in unremitted employee payroll withholdings.

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation 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.

**Milan-Berlin Library District**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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***Investments***

A financial institution's trust department holds the Library's money market mutual funds, equity securities, corporate and foreign bonds, U.S. treasurer notes, and preferred equity securities and common stock in book-entry form in the Library's name.

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

**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 cash 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.

**Milan-Berlin Library District**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 7 - Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

The Library 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2020.

**Note 8 - Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2020.

**Note 9 - Fund Balances**

Included in fund balance are amounts the Library cannot spend, including the balance of the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Permanent	Total
Nonspendable:					
Corpus				\$828,128	\$828,128
Outstanding Encumbrances	\$8,390				8,390
Total	\$8,390			\$828,128	\$836,518

The fund balance of Special Revenue funds is either restricted or committed. The fund balance of Capital Projects funds is committed. The fund balance of Permanent Funds that is not part of the nonspendable corpus is restricted. These restricted and committed amounts in the Special Revenue, Capital Projects, and Permanent funds would include the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.

**Note 10 - Change in Accounting Principle**

For 2020, the Library has made changes to its cash basis reporting model. These changes include removing the fund balance classifications from the statements of receipts, disbursements, and changes in fund balances (regulatory cash basis) - all governmental fund types.

**Milan-Berlin Library District**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 11 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Library. The impact on the Library's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**Note 12 - Contingent Liabilities**

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



**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, 2019*

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$365,237				\$365,237
Public Library	368,480				368,480
Intergovernmental	42,641				42,641
Patron Fines and Fees	5,191				5,191
Contributions, Gifts and Donations	2,050	\$565			2,615
Earnings on Investments	28,114	29,103		\$15	57,232
Miscellaneous	2,997				2,997
<i>Total Cash Receipts</i>	<u>814,710</u>	<u>29,668</u>		<u>15</u>	<u>844,393</u>
<b>Cash Disbursements</b>					
Current:					
Library Services	678,599	557	\$3,950		683,106
Support Services	21,904				21,904
<i>Total Cash Disbursements</i>	<u>700,503</u>	<u>557</u>	<u>3,950</u>		<u>705,010</u>
<i>Net Change in Fund Cash Balances</i>	114,207	29,111	(3,950)	15	139,383
<i>Fund Cash Balances, January 1</i>	<u>1,048,090</u>	<u>140,737</u>	<u>9,660</u>	<u>1,050,591</u>	<u>2,249,078</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable				828,128	828,128
Restricted		1,334		222,478	223,812
Committed		168,514	5,710		174,224
Assigned	97,340				97,340
Unassigned	1,064,957				1,064,957
<i>Fund Cash Balances, December 31</i>	<u>\$1,162,297</u>	<u>\$169,848</u>	<u>\$5,710</u>	<u>\$1,050,606</u>	<u>\$2,388,461</u>

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

**Milan-Berlin Library District**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**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 Milan branch of 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 Berlin branch of 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*** 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.

**Milan-Berlin Library District**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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***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*** The Harley Brownwell Gibbs 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 Revised Code Section 117.38 and Ohio Administrative 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 Revised Code Section 117.38 and Ohio Administrative 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 2019 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 equity securities, corporate and foreign bonds, U.S. Treasury Notes, preferred equities, and common stock at cost (or fair value when donated). Money market mutual funds are recorded at share values the mutual funds report (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, 2019*

**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*. For regulatory purposes, assigned fund balance in the General Fund is limited to encumbrances outstanding at year end.

**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, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$763,109	\$814,710	\$51,601
Special Revenue	24,775	29,668	4,893
Permanent	45	15	(30)
Total	\$787,929	\$844,393	\$56,464

**Milan-Berlin Library District**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$777,148	\$705,635	\$71,513
Special Revenue	32,334	557	31,777
Capital Projects	5,000	3,950	1,050
Permanent	80,000		80,000
<b>Total</b>	<b>\$894,482</b>	<b>\$710,142</b>	<b>\$184,340</b>

**Note 4 - Deposits and Investments**

The Library maintains a deposits 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:

	2019
Demand deposits	\$155,726
Certificates of deposit	1,168,452
Total deposits	1,324,178
Money market mutual funds	31,002
STAR Ohio	227,791
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	1,064,283
Total deposits and investments	\$2,388,461

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation 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 funds, equity securities, corporate and foreign bonds, U.S. treasurer notes, and preferred equity securities and common stock in book-entry form in the Library's name.

Investments in STAR Ohio and mutual funds 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, 2019*

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**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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2019.

**Milan-Berlin Library District**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

**Note 9 - Subsequent Event**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Library. The impact on the Library's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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88 East Broad Street  
Columbus, Ohio 43215  
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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 East 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 for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of Milan-Berlin Library District, Erie County, Ohio (the Library) and have issued our report thereon dated November 23, 2021, 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. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent period of the Library.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) as a basis for designing 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2020-001 to be a significant deficiency.

***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 financial statements. 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

November 23, 2021

MILAN-BERLIN LIBRARY DISTRICT  
ERIE COUNTY

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2020-001

**Significant Deficiency - 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.

Capital Projects Fund Type contributions, gifts, and donations receipts in the amount of \$2,945 was incorrectly classified as intergovernmental receipts for the year ended December 31, 2020.

Also, General Fund Type property and other local tax receipts in the amount of \$30,960 were incorrectly classified as intergovernmental receipts for the year ended December 31, 2019.

These errors were not identified and corrected prior to the Library preparing its financial statements due to deficiencies in the Library's internal controls over financial statement monitoring. The failure to adequately monitor financial statements could allow for misstatements to occur and go undetected. The accompanying financial statements have been adjusted to reflect these changes.

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 help identify and correct errors and omissions.

**Officials' Response:**

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, 2020 AND 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material weakness for errors in financial reporting first reported as Finding 2016-001.	Partially corrected and reissued as Finding 2020-001 in this report.	Matters related to Finding 2018-001 were corrected during the current audit period. However, additional less significant errors not previously communicated in Finding 2018-001 were noted during the current audit due to deficiencies in the Library's internal controls over financial statement monitoring. The Fiscal Officer will ensure proper classification and recording of financial activity in the future.

# OHIO AUDITOR OF STATE KEITH FABER



**MILAN-BERLIN LIBRARY DISTRICT**

**ERIE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 12/7/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)