



**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY
Regular Audit
For the Years Ended December 31, 2019 and 2018**

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Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
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KEITH FABER



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Board of Trustees
Midpoint Library System
125 South Broad Street
Middletown, Ohio 45044

We have reviewed the *Independent Auditor's Report* of the Midpoint Library System, Butler County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Midpoint Library System is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 11, 2020

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**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

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MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 28, 2020

Midpointe Library System
Butler County
125 South Broad Street
Middletown, Ohio 45044

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Midpointe Library System**, Butler County, Ohio (the Library), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Midpointe Library System, Butler County, Ohio, as of December 31, 2019 and 2018, and the respective changes in cash financial position and the budgetary comparison for the General thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during 2019 and 2018, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2020, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)**

This discussion and analysis of the Library’s financial performance provides an overall review of the Library’s financial activities for the year ended December 31, 2019, within the limitations of the Library’s cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library’s financial performance.

The Management’s Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments” issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Highlights

Key highlights for 2019 are as follows:

Net position of governmental activities increased by \$289,800 or 2.1 percent. The fund most affected by increase was the Capital Improvement Fund, which had an increase of \$2,034,465 due to a transfer from the General Fund to the Capital Improvement Fund.

The Library’s general receipts are primarily from the Public Library Fund (PLF) and a Property Tax Levy. In 2019, these two revenues represent 94 percent of the total cash received for governmental activities during the year. In 2019, PLF funding increased by \$214,041.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library’s cash basis of accounting.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)**

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. Under this basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable), and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the Library's use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2019, using the cash basis of accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other financial factors as well, such as the condition of the Library's capital assets and physical plant, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the possible need for major local revenue sources.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)**

Reporting the Government’s Most Significant Funds

Fund financial statements provide detailed information about the Library’s major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The Library’s activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library’s governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library’s programs. The Library’s significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library’s major governmental funds are the General Fund, the Capital Improvement Fund, and the Rothwell Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Government as a Whole

Table 1 provides a summary of the Library’s net position for 2019 compared to 2018 on a cash basis:

**(Table 1)
*Net Position***

	Governmental Activities	
	2019	2018
Assets		
Cash and Cash Equivalents	13,981,692	13,691,892
<i>Total Assets</i>	\$13,981,692	\$13,691,892
Net Assets		
Restricted for:		
Capital Outlay	\$4,664,380	\$2,629,915
Other Purposes	152,901	163,283
Unrestricted	9,164,411	10,898,694
<i>Total Net Position</i>	\$13,981,692	\$13,691,892

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)**

As mentioned previously, net assets of governmental activities increased by \$289,800 or 2.1 percent. The primary reasons contributing to the increase in cash balances are as follow:

- Capital projects moved back into 2020 due to scheduling conflicts
- Less than anticipated expenditures in the General Fund

Table 2 reflects the changes in net assets in 2019 and 2018.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)**

(Table 2)
Changes in Net Assets

	Governmental Activities 2019	Governmental Activities 2018
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$79,146	\$148,739
Patron Coin-Op	50,231	8,164
Sale of Surplus	12,860	14,798
Sale of Supplies	734	693
Passport Fees	39,743	30,473
Total Program Receipts	182,714	202,866
General Receipts:		
General Property Taxes	3,241,399	3,165,586
Public Library Fund	5,342,659	5,128,618
Earnings on Investments	295,382	247,789
Restricted Gifts and Contributions	3,417	3,152
Unrestricted Contributions	16,716	4,706
Miscellaneous	34,943	44,066
Total General Receipts	8,934,516	8,593,917
Total Receipts	9,117,230	8,796,783
Disbursements:		
Public Service	2,656,293	2,466,749
Collection Development	2,062,199	2,113,677
Facilities Operations	1,257,295	1,214,603
Information Services	216,765	219,135
Business Administration	1,605,638	1,209,228
Capital Outlay	1,029,240	1,539,729
Total Disbursements	8,827,430	8,763,121
Increase (Decrease) in Net Assets	289,800	33,662
Net Assets, Beginning of Year	13,691,892	13,658,230
Net Assets, End of Year	\$13,981,692	\$13,691,892

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)**

Program receipts represent only 2 percent of total receipts. Program receipts are primarily comprised of charges for patron sales and services, such as fines, fees, and coin-operated machine income.

General receipts represent 98 percent of the Library’s total receipts, and of this amount, 96 percent is from the Public Library Fund and a Property Tax Levy. Interest income, miscellaneous, and donations make up the balance of the Library’s general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources. The most significant factor related to receipts is the increase in Public Library funding which come from the State’s income tax revenue in which Midpointe Library System is heavily dependent upon.

Governmental Activities

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Public Service	\$ 2,656,293	\$ 2,473,580	\$2,466,748	\$2,263,882
Collection				
Development	2,062,199	2,062,199	2,113,677	2,113,677
Facilities Operations	1,257,295	1,257,295	1,214,603	1,214,603
Information Services	216,765	216,765	219,135	219,135
Business				
Administration	1,605,638	1,605,638	1,209,228	1,209,228
Capital Outlay	1,029,240	1,029,240	1,539,729	1,539,729
Total Expenses	\$8,827,430	\$8,644,717	\$8,763,120	\$8,560,254

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)**

The dependence upon the Public Library Fund and a property tax levy is apparent, as over 97 percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$9,117,230 and disbursements of \$8,827,430. The greatest change within governmental funds occurred within the Capital Fund. The fund balance of the Capital Fund increased by \$2,034,465 as a result of a transfer from the General Fund.

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During 2019, the Library amended their appropriations two times. The Midpointe Library System appropriates at the function level for each fund.

Actual disbursements were \$7,831,695. The Library's spending was below the budgeted amounts as demonstrated by the reported variances, however, a year end transfer from the General Fund to the Capital Fund resulted in a decrease of the General Fund balance for 2019.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, and patrons with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Deborah M. Slater, Fiscal Officer, Midpointe Library System, 125 S. Broad Street, Middletown, OH 45044.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

*Statement of Net Position – Cash Basis
December 31, 2019*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$13,981,692
<i>Total Assets</i>	<u><u>\$13,981,692</u></u>
Net Position	
Restricted for:	
Capital Projects	\$4,664,380
Other Purposes	152,901
Unrestricted	<u>9,164,411</u>
<i>Total Net Position</i>	<u><u>\$13,981,692</u></u>

See accompanying notes to the basic financial statements

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

*Statement of Activities – Cash Basis
For the Year Ended December 31, 2019*

		Program Cash Receipts		Net (Disbursements) Receipts and Changes In Net Assets
	Cash	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
	<u>Disbursements</u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities				
Current:				
Library Services:				
Public Services and Programs	\$2,656,293	\$182,714		(2,473,580)
Collection Development and Processing	2,062,199			(2,062,199)
Support Services:				
Facilities Operation and Maintenance	1,257,295			(1,257,295)
Information Services	216,765			(216,765)
Business Administration	1,605,638			(1,605,638)
Capital Outlay	1,029,240			(1,029,240)
 <i>Total Governmental Activities</i>	 <u>\$8,827,430</u>	 <u>\$182,714</u>	 <u>\$0</u>	 <u>(\$8,644,717)</u>
		General Receipts:		
		Property Taxes Levied for General Purposes		\$2,897,482
		Public Library Fund		5,342,659
		Intergovernmental Unrestricted Gifts and Contributions		343,917 16,716
		Restricted Contributions		3,417
		Earnings on Investments		295,382
		Miscellaneous		34,943
		<i>Total General Receipts</i>		<u>8,934,516</u>
		Change In Net Assets		289,800
		<i>Net Assets Beginning of Year</i>		<u>13,691,892</u>
		<i>Net Assets End of Year</i>		<u>\$13,981,692</u>

See accompanying notes to the basic financial statements.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

*Statement of Assets and Fund Balances – Cash Basis
Governmental Funds
December 31, 2019*

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Rothwell Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$9,164,412	\$4,664,380	\$70,816	\$82,084	\$13,981,692
<i>Total Assets</i>	<u>\$9,164,412</u>	<u>\$4,664,380</u>	<u>\$70,816</u>	<u>\$82,084</u>	<u>\$13,981,692</u>
Fund Balances					
Restricted			70,816		70,816
Committed		\$4,664,380			4,664,380
Assigned	855,206			82,084	937,290
Unassigned (Deficit)	<u>8,309,206</u>				<u>8,309,206</u>
<i>Total Fund Balances</i>	<u>\$9,164,412</u>	<u>\$4,664,380</u>	<u>\$70,816</u>	<u>\$82,084</u>	<u>\$13,981,692</u>

See accompanying notes to the basic financial statements.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis
Governmental Funds
For the Year Ended December 31, 2019*

	General	Capital Imp. Fund	Rothwell Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$2,897,482				\$2,897,482
Public Library	5,342,659				5,342,659
Intergovernmental	343,917				343,917
Patron Fines and Fees	182,714				182,714
Contributions, Gifts and Donations	3,798			16,335	20,133
Earnings on Investments	291,901		1,589	1,892	295,382
Miscellaneous	34,943				34,943
<i>Total Receipts</i>	<u>9,097,414</u>		<u>1,589</u>	<u>18,227</u>	<u>9,117,230</u>
Disbursements					
Current:					
Library Services:					
Public Services and Programs	2,643,875			12,418	2,656,293
Collection Development and Processing	2,062,199				2,062,199
Support Services:					
Facilities Operation and Maintenance	1,248,943		8,352		1,257,295
Information Services	216,765				216,765
Business Administration	1,596,208			9,430	1,605,638
Capital Outlay	63,705	965,535			1,029,240
<i>Total Disbursements</i>	<u>7,831,695</u>	<u>965,535</u>	<u>8,352</u>	<u>21,848</u>	<u>8,827,430</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,265,719</u>	<u>(965,535)</u>	<u>(6,763)</u>	<u>(3,621)</u>	<u>289,800</u>
Other Sources of Revenue					
Transfers In		3,000,000			3,000,000
Transfers Out	(3,000,000)				(3,000,000)
<i>Total Other Sources of Revenue</i>	<u>(3,000,000)</u>	<u>3,000,000</u>			
Net Change in Fund Balances	(1,734,281)	2,034,465	(6,763)	(3,621)	289,800
Fund Cash Balance Beginning of Year	10,898,693	2,629,915	77,579	85,705	13,691,892
<i>Fund Cash Balance End of Year</i>	<u>9,164,412</u>	<u>4,664,380</u>	<u>70,816</u>	<u>82,084</u>	<u>13,981,692</u>

See accompanying note to the basic financial statements.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance – Budget and Actual – Budget Basis
General Fund*

For the Year Ended December 31, 2019

	Budgeted Amounts			(Optional) Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Receipts				
Property and Other Local Taxes	\$3,250,000	\$3,250,000	3,241,399	\$(8,601)
Public Library	4,979,064	4,979,064	5,342,659	363,595
Patron Fines and Fees	169,244	169,244	182,714	13,470
Contributions, Gifts and Donations	5,459	5,459	3,798	(1,661)
Earnings on Investments	272,975	272,975	291,901	18,926
Miscellaneous	32,758	32,758	34,943	2,185
<i>Total Receipts</i>	8,709,500	8,709,500	9,097,414	387,914
Disbursements				
Current:				
Library Services:				
Public Services and Programs	2,874,563	2,988,579	2,643,875	344,703
Collection Development and Processing	2,242,133	2,331,064	2,062,199	268,865
Support Services:				
Facilities Operation and Maintenance	1,357,918	1,411,777	1,248,943	162,834
Information Services	235,678	245,026	216,765	28,261
Business Administration	1,729,746	1,801,329	1,596,208	205,121
Capital Outlay	75,000	75,000	63,705	11,295
<i>Total Disbursements</i>	8,515,038	8,852,775	7,831,695	1,021,079
<i>Excess of Receipts Over (Under) Disbursements</i>	194,462	143,275	1,265,719	1,408,993
Other Financing Sources (Uses)				
Transfers Out	0	(3,000,000)	(3,000,000)	0
<i>Total Other Financing Sources (Uses)</i>	0	(3,000,000)	(3,000,000)	0
<i>Net Change in Fund Balance</i>	194,462	(3,143,275)	(1,734,281)	1,408,993
<i>Unencumbered Fund Balance Beginning of Year</i>	10,679,155	10,679,155	10,679,155	0
Prior Year Encumbrances Appropriated	219,538	219,538	219,538	0
<i>Unencumbered Fund Balance End of Year</i>	\$11,093,155	\$7,755,418	\$9,164,412	\$1,408,993

See accompanying notes to the basic financial statements.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Midpointe Library System, Butler County, Ohio (the Library), was organized as a district public library in 1913 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Middletown City Council. They serve for four-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Library Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the City of Middletown, although the City serves in a ministerial capacity as the taxing district for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the County Board of Elections must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the City of Middletown.

The Friends of the Midpointe Library System is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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

As discussed further in Note 2.C, the financial statements of the Midpointe Library System have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net position presents the cash and investment balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental (and enterprise) fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. 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 Library's funds are all classified as governmental.

Governmental Funds

Governmental funds are financed primarily from library and local government receipts, intergovernmental receipts (e.g. grants), and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The General Fund accounts for all financial resources except those required to be accounted for 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.

Capital Improvement Fund - The Capital Improvement Fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

Rothwell Fund – The Rothwell Fund accounts for a bequest given to the Library for the purpose of building a library in the City of Monroe.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid,) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be appropriated. The Appropriation Resolution is the Trustee's authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the function level for all funds.

Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates revenues to be received for the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated revenues may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriation was adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriation, if needed, was enacted by the Trustees.

The Appropriation Resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Library Trustees during the year.

E. Cash and Cash Equivalents

Library records identify the purpose of specific investments by specific funds.

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2019, investments were limited to non-negotiable Certificate of Deposits and U.S. Treasury Notes. These investments are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2019 totaled \$291,901.

Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Library reports no restricted assets.

Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Fund Balance

Fund balance is divided into four classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Restricted Fund balance is reported as 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 imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of Library Trustees. Those committed amounts cannot

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees 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 contained in 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused vacation, personal or holiday bank leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

G. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 & 9, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

H. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for permanent funds.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

I. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund and all other significant funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year-end encumbrances, which are treated as expenditures (budgetary basis) rather than as restricted, committed or assigned fund balance. The encumbrances outstanding at year end (budgetary basis) amounted to \$270,261 for the General Fund and \$337,239 for Capital Improvement Fund.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States; Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

Bonds and other obligations of the State of Ohio or Ohio local governments;

Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

The State Treasurer's investment pool (STAR Ohio).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. At year end, the Library had \$1,900 in un-deposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

At year end, the carrying amount of the Library's deposits was \$13,981,692 and the bank balance was \$13,858,236. Of the bank balance \$250,000 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 of the Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

As of December 31, 2019, the Library had the following investments:

<u>Description</u>	<u>Cost</u>	<u>Maturity</u>
JP Morgan Chase Bank	245,028	08/16/2021
Community Bank Beaumont TX	85,002	01/16/2020
Discover Bank, Greenwood DE	75,036	07/07/2021
HSBC Bank USA	130,039	07/08/2020
Federal Farm Credit Bank	174,219	05/03/2021
Federal Home Loan Mortgage Corp.	174,125	11/25/2020
Federal Home Loan Bank	249,625	12/09/2020
Blackridgebank, Fargo, ND	250,000	05/17/2022
Discover Bank, Greenwood, DE	171,861	10/25/2021
Crossfirst Bank	248,139	10/21/2021
Citibank National Sioux City	245,000	04/11/2023
Belmont Savings Bank	245,000	04/18/2023
First Source Bank	149,051	06/29/2020
First Trust Savings Bank	77,723	09/14/2020
Luana Savings Bank	98,930	09/04/2020
MSBNA	249,260	Monthly
First National Bank East Lansing	123,278	04/24/2020
Evergreen Bank Oak Brook	248,564	04/27/2020
UBS Bank	249,000	10/19/2020
Compass Bank	246,000	10/17/2020
Morgan Stanley Bank	246,000	10/19/2020
MS Bank Salt Lake City	245,000	10/13/2020
Barclays Bank	245,000	10/21/2020
Pinnacle Bank Nashville	245,000	12/14/2020
First Internet Bank Indianapolis	245,000	12/28/2020
Community Financial Services Bank	245,000	03/21/2021
Ally Bank	100,000	03/08/2021
Synovus Bank	245,000	03/15/2021
TIAA FSB Jacksonville, FL	245,000	10/17/2022
Veritex Civinty Bank Nat'l Assoc. Dallas	147,904	02/18/2020
Goldman Sach	246,000	06/05/2024
Flagstar Bank	246,000	06/13/2022
Capital One	246,000	06/19/2024
Wells Fargo	245,000	12/18/2023
Bank OZK	245,000	06/15/2020
Ally Bank Utah	148,000	02/15/2020
Federal Home Loan LTG	250,000	06/25/2020
Federal Home Loan Fixed Rate	250,000	09/26/2022
Cathay Bank	25,007	09/25/2021

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

HSBC	117,024	09/27/2022
WebBank Salt Lake City	246,271	09/30/2022
Cedar Rapids Bank	245,000	04/16/2021
Crescom Bank	245,000	11/27/2023
Texas Exch Bank	245,000	11/29/2024
Federal Home Loan Bank Debenture	250,000	12/23/2024
Raymond James Bank	245,000	12/30/2022
Money Market Accounts	804,592	Daily
Total Portfolio	\$10,242,677	

Interest Rate Risk Interest risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library’s investment policy addresses interest rate risk by requiring the Library’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

NOTE 5 – PROPERTY TAXES Property taxes include amounts levied against all real property located in the Library service district. Property tax revenue received during 2019 represents collections of 2017 taxes.

2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of the appraised market value. 2017 real property taxes are collected in and intended to finance 2019.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semi-annually, the first payment is due in February, with the remainder payable in July. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate for all Library operations for the year ended December 31, 2019 was \$3.26 per \$1,000 of assessed value. The assessed values of real property upon which 2019 property tax receipts were based are as follows:

Real Property	11,473,552,680
Total	<u>11,473,552,680</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

NOTE 6 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2019, the Library contracted with several companies for various types of insurance coverage as follows:

Commercial Property	16,267,404
General Liability	2,000,000
Commercial Umbrella	3,000,000
Inland Marine	9,886,950
Vehicle	500,000
Library Officials	4,000,000
Fidelity and Deposit	700,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The Library's administrator of the plan pays all claims.

NOTE 7 – PUBLIC LIBRARY FUND

A major source of revenue for Ohio Public Libraries is the Public Library Fund (PLF). The PLF is allocated to each county based on the county's prior intangible tax revenues and its population. The County Budget Commission allocates these funds to the Library based on its census of population for which the library services. The Budget Commission cannot reduce its allocation of these funds based on any additional revenues the Library receives.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year).

Under the Member Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2019, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2019, member and employer contribution rates were consistent across all three plans.

The Library's 2019 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan and the Combined Plan was 1% for calendar year 2019. Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional and Combined plans for the years ended December 31, 2019, 2018, and 2017 were \$466,364, \$428,990, and \$410,331 respectively; the full amount has been contributed for 2019, 2018, and 2017.

NOTE 9 – POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Ohio Public Employees Retirement System (OPERS) provides other post-employment benefits (OPEB).

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Plan Description - OPERS maintains a cost sharing multiple employer defined benefit postemployment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and for members in the Combined Plan was 2 percent for calendar year 2014. Effective January 1, 2019, the portion of employer contributions allocated to healthcare remains at 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

NOTE 10 – FUND BALANCES

Fund Balance is classified as restricted committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Capital Fund</u>	<u>Rothwell Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted			70,816		70,816
Committed		4,664,380			4,664,380
Assigned	855,206			82,084	937,290
Unassigned	<u>8,309,206</u>	_____	_____	_____	<u>8,309,206</u>
Total Fund Balance	\$9,164,412	\$4,664,380	\$70,816	\$82,084	\$13,981,692

Note 11 – SUBSEQUENT EVENTS

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

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Unaudited)**

This discussion and analysis of the Library’s financial performance provides an overall review of the Library’s financial activities for the year ended December 31, 2018, within the limitations of the Library’s cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library’s financial performance.

The Management’s Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments” issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Highlights

Key highlights for 2018 are as follows:

Net position of governmental activities increased by \$33,663 or .2 percent. The fund most affected by increase was the General Fund, which had an increase of \$1,539,986. The Capital Improvement Fund had a decrease for the year of \$1,467,814 due to two construction projects.

The Library’s general receipts are primarily from the Public Library Fund (PLF) and a Property Tax Levy. In 2018, these two revenues represent 94 percent of the total cash received for governmental activities during the year. In 2018, PLF funding increased by \$198,041.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library’s cash basis of accounting.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Unaudited)**

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. Under this basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable), and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the Library's use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2018, using the cash basis of accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other financial factors as well, such as the condition of the Library's capital assets and physical plant, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the possible need for major local revenue sources.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Unaudited)**

Reporting the Government’s Most Significant Funds

Fund financial statements provide detailed information about the Library’s major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The Library’s activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library’s governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library’s programs. The Library’s significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library’s major governmental funds are the General Fund, the Capital Improvement Fund, and the Rothwell Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Government as a Whole

Table 1 provides a summary of the Library’s net position for 2018 compared to 2017 on a cash basis:

**(Table 1)
Net Position**

	Governmental Activities	
	2018	2017
Assets		
Cash and Cash Equivalents	13,691,892	13,658,230
<i>Total Assets</i>	\$13,691,892	\$13,658,230
Net Assets		
Restricted for:		
Capital Outlay	\$2,629,915	\$4,097,729
Other Purposes	163,283	201,792
Unrestricted	10,898,694	9,358,709
<i>Total Net Position</i>	\$13,691,892	\$13,658,230

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Unaudited)**

As mentioned previously, net assets of governmental activities increased by \$33,663 or .02 percent. The primary reasons contributing to the increase in cash balances are as follow:

- 2 large capital projects in the Capital Fund
- Less than anticipated expenditures in the General Fund

Table 2 reflects the changes in net assets in 2018 and 2017.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Unaudited)**

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2018	Governmental Activities 2017
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$148,739	\$183,622
Patron Coin-Op	8,164	10,364
Sale of Surplus	14,798	10,594
Sale of Supplies	693	951
Passport Fees	30,473	21,291
Total Program Receipts	202,866	226,822
General Receipts:		
General Property Taxes	3,165,586	3,118,763
Public Library Fund	5,128,618	4,930,577
Earnings on Investments	247,789	146,093
Restricted Gifts and Contributions	3,152	51,020
Unrestricted Contributions	4,706	11,438
Miscellaneous	44,066	35,750
Total General Receipts	8,593,917	8,293,641
Total Receipts	8,796,783	8,520,463
Disbursements:		
Public Service	2,466,749	2,280,893
Collection Development	2,113,677	1,851,411
Facilities Operations	1,214,603	1,234,272
Information Services	219,135	166,940
Business Administration	1,209,228	1,098,110
Capital Outlay	1,539,729	570,757
Total Disbursements	8,763,121	7,202,383
Increase (Decrease) in Net Assets	33,662	1,318,080
Net Assets, Beginning of Year	13,658,230	12,340,150
Net Assets, End of Year	\$13,691,892	\$13,658,230

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Unaudited)**

Program receipts represent only 3 percent of total receipts. Program receipts are primarily comprised of charges for patron sales and services, such as fines, fees, and coin-operated machine income.

General receipts represent 97 percent of the Library’s total receipts, and of this amount, 93 percent is from the Public Library Fund and a Property Tax Levy. Interest income, miscellaneous, and donations make up the balance of the Library’s general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources. The most significant factor related to receipts is the increase in Public Library funding which come from the State’s income tax revenue in which Midpointe Library System is heavily dependent upon.

Governmental Activities

If you look at the Statement of Activities on page 36, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Public Service	\$2,466,749	\$2,263,882	\$2,280,893	\$2,054,071
Collection				
Development	2,113,677	2,113,677	1,851,411	1,851,411
Facilities Operations	1,214,603	1,214,603	1,234,272	1,234,272
Information Services	219,135	219,135	166,940	166,940
Business				
Administration	1,209,228	1,209,228	1,098,110	1,098,110
Capital Outlay	1,539,729	1,539,729	570,757	570,757
Total Expenses	\$8,763,121	\$8,560,254	\$7,202,383	\$6,975,561

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Unaudited)**

The dependence upon the Public Library Fund and a property tax levy is apparent, as over 90 percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$8,796,783 and disbursements of \$8,763,121. The greatest change within governmental funds occurred within the Capital Fund. The fund balance of the General Fund increased by \$1,539,985 as a result of less than expected expenditures.

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During 2018, the Library amended their appropriations four times. The Midpointe Library System appropriates at the function level for each fund.

Actual disbursements were \$7,253,357. The Library's spending was below the budgeted amounts as demonstrated by the reported variances. The result is an increase in fund balance of \$1,539,985 for 2018.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, and patrons with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Deborah M. Preston, Fiscal Officer, Midpointe Library System, 125 S. Broad Street, Middletown, OH 45044.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

*Statement of Net Position – Cash Basis
December 31, 2018*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$13,691,892
<i>Total Assets</i>	<u><u>\$13,691,892</u></u>
Net Position	
Restricted for:	
Capital Projects	\$2,629,915
Other Purposes	163,283
Unrestricted	<u>10,898,694</u>
<i>Total Net Position</i>	<u><u>\$13,691,892</u></u>

See accompanying notes to the basic financial statements.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

*Statement of Activities – Cash Basis
For the Year Ended December 31, 2018*

		Program Cash Receipts		Net (Disbursements) Receipts and Changes In Net Assets
	Cash	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
	<u>Disbursements</u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities				
Current:				
Library Services:				
Public Services and Programs	\$2,466,749	\$202,866		(2,263,882)
Collection Development and Processing	2,113,677			(2,113,677)
Support Services:				
Facilities Operation and Maintenance	1,214,603			(1,214,603)
Information Services	219,135			(219,135)
Business Administration	1,209,228			(1,209,228)
Capital Outlay	1,539,729			(1,539,729)
 <i>Total Governmental Activities</i>	 <u>\$8,763,121</u>	 <u>\$202,866</u>	 <u>\$0</u>	 <u>(\$8,560,254)</u>
		General Receipts:		
		Property Taxes Levied for General Purposes		\$2,823,783
		Public Library Fund		5,128,618
		Intergovernmental		341,803
		Unrestricted Gifts and Contributions		4,706
		Restricted Contributions		3,152
		Earnings on Investments		247,789
		Miscellaneous		44,066
		<i>Total General Receipts</i>		8,593,917
		Change In Net Assets		33,662
		<i>Net Assets Beginning of Year</i>		<u>13,658,230</u>
		<i>Net Assets End of Year</i>		<u>\$13,691,892</u>

See accompanying notes to the basic financial statements.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

*Statement of Assets and Fund Balances – Cash Basis
Governmental Funds
December 31, 2018*

	General Fund	Capital Fund	Rothwell Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$10,898,693	\$2,629,915	\$77,579	\$85,705	\$13,691,892
<i>Total Assets</i>	<u>\$10,898,693</u>	<u>\$2,629,915</u>	<u>\$77,579</u>	<u>\$85,705</u>	<u>\$13,691,892</u>
Fund Balances					
Restricted			77,579		77,579
Committed		2,629,915			2,629,915
Assigned	3,362,813			85,705	3,448,518
Unassigned (Deficit)	<u>7,535,880</u>	<u> </u>	<u> </u>	<u> </u>	<u>7,535,880</u>
<i>Total Fund Balances</i>	<u>\$10,898,693</u>	<u>\$2,629,915</u>	<u>\$77,579</u>	<u>\$85,705</u>	<u>\$13,691,892</u>

See accompanying notes to the basic financial statements.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis
Governmental Funds
For the Year Ended December 31, 2018*

	General	Capital Imp. Fund	Rothwell Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$2,823,783				\$2,823,783
Public Library	5,128,618				5,128,618
Intergovernmental	341,803				341,803
Patron Fines and Fees	202,866				202,866
Contributions, Gifts and Donations	7,858				7,858
Earnings on Investments	244,348		1,519	1,922	247,789
Miscellaneous	44,066				44,066
<i>Total Receipts</i>	<u>8,793,342</u>		<u>1,519</u>	<u>1,922</u>	<u>8,796,783</u>
Disbursements					
Current:					
Library Services:					
Public Services and Programs	2,449,702			17,047	2,466,749
Collection Development and Processing	2,113,677				2,113,677
Support Services:					
Facilities Operation and Maintenance	1,196,554		18,049		1,214,603
Information Services	219,135				219,135
Business Administration	1,202,374			6,854	1,209,228
Capital Outlay	71,915	1,467,814			1,539,729
<i>Total Disbursements</i>	<u>7,253,357</u>	<u>1,467,814</u>	<u>18,049</u>	<u>23,901</u>	<u>8,763,121</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,539,985</u>	<u>-1,467,814</u>	<u>-16,530</u>	<u>-21,979</u>	<u>33,662</u>
<i>Net Change in Fund Balances</i>	1,539,985	-1,467,814	-16,530	-21,979	33,662
<i>Fund Balances Beginning of Year</i>	<u>9,358,708</u>	<u>4,097,729</u>	<u>94,109</u>	<u>107,684</u>	<u>13,658,230</u>
<i>Fund Balances End of Year</i>	<u>\$10,898,693</u>	<u>\$2,629,915</u>	<u>\$77,579</u>	<u>\$85,705</u>	<u>\$13,691,892</u>

See accompanying note to the basic financial statements.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance – Budget and Actual – Budget Basis
General Fund*

For the Year Ended December 31, 2018

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$3,100,000	\$3,250,000	3,165,586	\$(84,414)
Public Library	4,641,545	4,973,604	5,128,618	155,014
Patron Fines and Fees	183,420	196,542	202,866	6,324
Contributions, Gifts and Donations	5,095	5,459	7,858	2,399
Earnings on Investments	224,180	240,218	244,349	4,130
Miscellaneous	40,760	43,677	44,066	389
<i>Total Receipts</i>	<i>8,195,000</i>	<i>8,709,500</i>	<i>8,793,342</i>	<i>83,842</i>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	2,740,975	2,740,975	2,449,702	291,273
Collection Development and Processing	2,317,692	2,417,692	2,113,677	304,015
Support Services:				
Facilities Operation and Maintenance	1,312,047	1,312,047	1,196,554	115,493
Information Services	240,286	240,286	219,135	21,151
Business Administration	1,318,429	1,318,429	1,202,374	116,055
Capital Outlay	20,000	20,000	71,915	(51,915)
<i>Total Disbursements</i>	<i>8,008,284</i>	<i>8,108,284</i>	<i>7,253,357</i>	<i>854,927</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>186,716</i>	<i>601,216</i>	<i>1,539,985</i>	<i>938,771</i>
Other Financing Sources (Uses)				
Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Net Change in Fund Balance</i>	186,716	601,216	1,539,985	938,770
<i>Unencumbered Fund Balance Beginning of Year</i>	8,992,443	8,992,443	8,992,443	0
Prior Year Encumbrances Appropriated	366,265	366,265	366,265	0
<i>Unencumbered Fund Balance End of Year</i>	<i>\$9,545,424</i>	<i>\$9,959,924</i>	<i>\$10,898,694</i>	<i>\$938,770</i>

See accompanying notes to the basic financial statements.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Midpointe Library System, Butler County, Ohio (the Library), was organized as a district public library in 1913 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Middletown City Council. They serve for four-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Library Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the City of Middletown, although the City serves in a ministerial capacity as the taxing district for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the County Board of Elections must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the City of Middletown.

The Friends of the Midpointe Library System is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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

As discussed further in Note 2.C, the financial statements of the Midpointe Library System have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net position presents the cash and investment balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental (and enterprise) fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. 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 Library's funds are all classified as governmental.

Governmental Funds

Governmental funds are financed primarily from library and local government receipts, intergovernmental receipts (e.g. grants), and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The General Fund accounts for all financial resources except those required to be accounted for 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.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Improvement Fund - The Capital Improvement Fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

Rothwell Fund – The Rothwell Fund accounts for a bequest given to the Library for the purpose of building a library in the City of Monroe.

C. Basis of Accounting

The Library’s financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid,) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be appropriated. The Appropriation Resolution is the Trustee’s authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the function level for all funds.

Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates revenues to be received for the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated revenues may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriation was adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriation, if needed, was enacted by the Trustees.

The Appropriation Resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Library Trustees during the year.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Library records identify the purpose of specific investments by specific funds.

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2018, investments were limited to non-negotiable Certificate of Deposits and U.S. Treasury Notes. These investments are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2018 totaled \$245,348.

Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Library reports no restricted assets.

Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Fund balance is divided into four classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Restricted Fund balance is reported as 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 imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees 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 contained in 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused vacation, personal or holiday bank leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 & 9, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

H. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for permanent funds.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund and all other significant funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year-end encumbrances, which are treated as expenditures (budgetary basis) rather than as restricted, committed or assigned fund balance. The encumbrances outstanding at year end (budgetary basis) amounted to \$223,609 for the General Fund and \$501,406 for Capital Improvement Fund.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States; Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

Bonds and other obligations of the State of Ohio or Ohio local governments;

Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

The State Treasurer's investment pool (STAR Ohio).

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Protection of the Library’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. At year end, the Library had \$1,900 in un-deposited cash on hand, which is included on the balance sheet of the Library as part of “Equity in Pooled Cash and Cash Equivalents.”

At year end, the carrying amount of the Library’s deposits was \$13,691,892 and the bank balance was \$13,770,346. Of the bank balance \$250,000 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 of the Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

As of December 31, 2018, the Library had the following investments:

<u>Description</u>	<u>Cost</u>	<u>Maturity</u>
Federal Home Loan Bank	44,587	12/17/2019
Federal Home Loan Bank	7,297	10/24/2019
Wells Fargo Bank	245,000	06/17/2019
Federal Home Loan	124,969	05/25/2021
Ally Bank, Midvale Utah	99,964	02/19/2019
JP Morgan Chase Bank	245,042	08/16/2021
State Bank & TR Defiance OH	245,000	09/27/2019
Community Bank Beaumont TX	85,013	01/16/2020
Discover Bank, Greenwood DE	75,054	07/07/2021
HSBC Bank USA	130,079	07/08/2020

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

(Continued)

Federal Home Loan Mortgage	124,935	07/19/2021
Federal Farm Credit Bank	174,219	05/03/2021
Federal Home Loan Mortgage Corp.	225,111	07/14/2020
Federal Home Loan Mortgage Corp.	174,125	11/25/2020
State Bank of India Chicago IL	94,511	07/16/2019
Federal Home Loan Bank	249,625	12/09/2020
Whitney Bank, Gulfport, MS	245,000	01/25/2019
Federal National Mortgage Assoc.	124,876	11/25/2019
Oriental Bank	245,000	03/29/2019
Comenity Bank	200,000	04/22/2019
Blackridgebank, Fargo, ND	250,000	05/17/2022
Capital One NA, McLean, VA	245,019	05/24/2019
Capital One Bank, Glen Allen	245,000	06/03/2019
Ally Bank, Midvale, UT	145,000	06/10/2019
Marlin Business Bank	245,000	06/10/2019
Discover Bank, Greenwood, DE	171,861	10/25/2021
Crossfirst Bank	248,139	10/21/2021
Morgan Stanley PVT Bank	245,000	12/09/2019
Federal Farm Credit	309,527	05/16/2022
MS Bank	245,000	12/09/2019
First Financial Bank	247,000	10/10/2019
Citibank National Sioux City	245,000	04/11/2023
Belmont Savings Bank	245,000	04/18/2023
First Source Bank	149,051	06/29/2020
First Trust Savings Bank	77,723	09/14/2020
Luana Savings Bank	98,930	09/04/2020
MSBNA	249,260	Monthly
First National Bank East Lansing	123,278	04/24/2020
Bank Hapoalim New York	240,000	10/15/2019
Evergreen Bank Oak Brook	248,564	04/27/2020
UBS Bank	249,000	10/19/2020
Compass Bank	246,000	10/17/2020
Morgan Stanley Bank	246,000	10/19/2020
MS Bank Salt Lake City	245,000	10/13/2020
Barclays Bank	245,000	10/21/2020
Pinnacle Bank Nashville	245,000	12/14/2020
Federal Home Loan	292,088	08/27/2021
First Internet Bank Indianapolis	245,000	12/28/2020
Money Market Accounts	653,516	Daily
Total Portfolio	\$10,099,363	

Interest Rate Risk Interest risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

addresses interest rate risk by requiring the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

NOTE 5 – PROPERTY TAXES Property taxes include amounts levied against all real property located in the Library service district. Property tax revenue received during 2018 represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of the appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semi-annually, the first payment is due in February, with the remainder payable in July. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate for all Library operations for the year ended December 31, 2018 was \$3.26 per \$1,000 of assessed value. The assessed values of real property upon which 2018 property tax receipts were based are as follows:

Real Property	11,473,552,680
Total	<u>11,473,552,680</u>

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 5 – PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.

NOTE 6 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, the Library contracted with several companies for various types of insurance coverage as follows:

Commercial Property	16,267,404
General Liability	2,000,000
Commercial Umbrella	3,000,000
Inland Marine	9,886,950
Vehicle	500,000
Library Officials	4,000,000
Fidelity and Deposit	700,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The Library's administrator of the plan pays all claims.

NOTE 7 – PUBLIC LIBRARY FUND

A major source of revenue for Ohio Public Libraries is the Public Library Fund (PLF). The PLF is allocated to each county based on the county's prior intangible tax revenues and its population. The County Budget Commission allocates these funds to the Library based on its census of population for which the library services. The Budget Commission cannot reduce its allocation of these funds based on any additional revenues the Library receives.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 8 – DEFINED BENEFIT PENSION PLAN

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan.

The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year).

Under the Member Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2018, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2018, member and employer contribution rates were consistent across all three plans.

The Library's 2018 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan and the Combined Plan was 1% for calendar year 2018. Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional and Combined plans for the years ended December 31, 2018, 2017, and 2016 were \$428,990, \$410,331, and \$399,686 respectively; the full amount has been contributed for 2018, 2017, and 2016.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 9 – POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Ohio Public Employees Retirement System (OPERS) provides other post-employment benefits (OPEB).

Plan Description - OPERS maintains a cost sharing multiple employer defined benefit postemployment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and for members in the Combined Plan was 2 percent for calendar year 2014. Effective January 1, 2018, the portion of employer contributions allocated to healthcare remains at 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

NOTE 10 – FUND BALANCES

Fund Balance is classified as restricted committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Capital Fund</u>	<u>Rothwell Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted			77,579		77,579
Committed		2,629,915			2,629,915
Assigned	3,362,813			85,705	3,448,518
Unassigned	<u>7,535,880</u>	_____	_____	_____	<u>7,535,880</u>
Total Fund Balance	\$10,898,693	\$2,629,915	\$77,579	\$85,705	\$13,691,892

Note 11 – SUBSEQUENT EVENTS

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

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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***

June 28, 2020

Midpoint Library System
Butler County
125 South Broad Street
Middletown, Ohio 45044

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 governmental activities, each major fund, and the aggregate remaining fund information of **Midpointe Library System**, Butler County, (the Library) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 28, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods 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) 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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*.

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 communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

OHIO AUDITOR OF STATE KEITH FABER



MIDPOINTE LIBRARY SYSTEM

BUTLER 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 8/25/2020

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