



PERRY

& Associates CPAs

PASSION *Beyond the Numbers*

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2023 - 2022**

OHIO AUDITOR OF STATE
KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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, 2022 through December 31, 2023. 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

July 19, 2024

This page intentionally left blank.

MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2023	4
Notes to the Financial Statements For the Year Ended December 31, 2023	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2022	12
Notes to the Financial Statements For the Year Ended December 31, 2022	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	20

This page intentionally left blank.



INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the MidPointe Library System, Butler County, Ohio (the Library), which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library, as of December 31, 2023 and 2022, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Library on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2022, the Library has elected to change its financial presentation to the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's 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

June 4, 2024

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	General	Special Revenue	Capital Projects	Combined Total
Cash Receipts				
Property and Other Local Taxes	\$ 3,119,116	\$ -	\$ -	\$ 3,119,116
Public Library	6,859,343	-	-	6,859,343
Intergovernmental	356,078	-	-	356,078
Patron Fines and Fees	28,822	-	-	28,822
Contributions, Gifts and Donations	57,495	500	-	57,995
Earnings on Investments	587,160	264	-	587,424
Miscellaneous	151,118	-	-	151,118
<i>Total Cash Receipts</i>	<u>11,159,132</u>	<u>764</u>	<u>-</u>	<u>11,159,896</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	3,813,239	-	-	3,813,239
Collection Development and Processing	2,099,863	-	-	2,099,863
Support Services:				
Facilities Operation and Maintenance	1,295,892	-	-	1,295,892
Information Services	681,672	-	-	681,672
Business Administration	1,313,499	-	-	1,313,499
Capital Outlay	71,969	-	2,194,280	2,266,249
<i>Total Cash Disbursements</i>	<u>9,276,134</u>	<u>-</u>	<u>2,194,280</u>	<u>11,470,414</u>
<i>Net Change in Fund Cash Balances</i>	1,882,998	764	(2,194,280)	(310,518)
<i>Fund Cash Balances, January 1</i>	<u>9,314,824</u>	<u>37,171</u>	<u>7,963,098</u>	<u>17,315,093</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 11,197,822</u>	<u>\$ 37,935</u>	<u>\$ 5,768,818</u>	<u>\$ 17,004,575</u>

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

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 – Reporting Entity

The MidPointe Library System Library (the Library), Butler County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City of Middletown appoints a 7-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Douglas J Bean Progress Fund – The Douglas Bean Progress Fund is a charitable fund to recognize former Library director Douglas J Bean that accepts donation to progress the Library.

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.

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit.

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2023
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

A summary of 2023 budgetary activity appears in Note 3.

Deposits and Investments

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

The Federal Reserve holds the Library's U.S. Treasury Notes in book-entry form by, in the name of the Library's financial institution. The financial institution maintains records identifying the Library as owner of these securities. Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

Nonspendable The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Library and the nonexpendable portion of the corpus in permanent funds.

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

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

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2023
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2023 follows:

2023 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 10,113,675	\$ 11,159,132	\$ 1,045,457
Special Revenue	650	764	114
Total	\$ 10,114,325	\$ 11,159,896	\$ 1,045,571

2023 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 10,516,525	\$ 9,750,637	\$ 765,888
Special Revenue	1,000	-	1,000
Capital Projects	5,789,774	2,485,694	3,304,080
Total	\$ 16,307,299	\$ 12,236,331	\$ 4,070,968

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2023
(Continued)

Note 4 – Deposits and Investments

To improve cash management, cash received by the Library is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The Library also has segregated accounts, which include clearing accounts and amounts with fiscal and escrow agents that are not part of this pool. A summary of the Library's deposit and investment accounts are as follows:

	2023
<i>Cash Management Pool:</i>	
Demand deposits	\$ 749,101
Certificates of deposit	5,593,809
Total deposits	6,342,910
U.S. Treasury Notes	2,899,827
STAR Ohio	7,761,838
Total investments	10,661,665
<i>Total carrying amount of deposits and investments held in the Pool</i>	\$ 17,004,575
 <i>Segregated Accounts - Not held in the Pool:</i>	
Payroll Clearing Account (Not held in the Pool)	\$ 16,207
<i>Total Outside Accounts</i>	\$ 16,207

The Library has a payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statements reflect gross payroll. The balance in the Library's payroll clearing account represents unremitted employee payroll withholdings.

Deposits

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

Investments

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

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

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2023
(Continued)

Note 5 – Grants in Aid and Taxes

Grants in Aid

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

Property Taxes

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

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

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. 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 (if material).

Commercial Insurance

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 2023, the Library contracted with several companies for the following risks:

- Commercial Property;
- Commercial Umbrella;
- Inland Marine;
- Vehicle;
- Library Officials;
- Fidelity and Deposit; and
- Cyber Security.

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.

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2023
(Continued)

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2023.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. For calendar year 2023, the portion of employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2023, the portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves.

Note 9 – Construction and Contractual Commitments

In December of 2021 the MidPointe Library System Board of Trustees passed a resolution to purchase property in Liberty Township to build a new library branch to expand services within the Library's service area. In 2022 the Library requested qualifications from architectural firms to select an architect to build a new Library branch in Liberty Township. After reviewing qualifications, The MidPointe Library System board approved the Library to enter a contractual agreement with architectural firm LWC Incorporated in June of 2022. On August 23, 2023 the Library entered into a contract with DER Development Company, LLC after a formal bidding process to execute phase 1 of the building project. This contract was executed to completion in 2023. On December 27, 2023 the Library entered into a contract with DER Development Company, LLC after a formal bidding process to begin phase 2 of the building project to build the new branch in Liberty Township. The Liberty Township Library branch project is still ongoing.

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2023
(Continued)

Note 10 – Fund Balances

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

Fund Balances	General	Capital Projects	Total
Outstanding Encumbrances	\$ 474,503	\$ 291,414	\$ 765,917
<i>Total</i>	\$ 474,503	\$ 291,414	\$ 765,917

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General	Special Revenue	Capital Projects	Combined Total
Cash Receipts				
Property and Other Local Taxes	\$ 3,056,712	\$ -	\$ -	\$ 3,056,712
Public Library	6,754,498	-	-	6,754,498
Intergovernmental	353,794	-	-	353,794
Patron Fines and Fees	26,273	-	-	26,273
Contributions, Gifts and Donations	4,821	500	-	5,321
Earnings on Investments	233,440	127	-	233,567
Miscellaneous	186,176	-	-	186,176
<i>Total Cash Receipts</i>	<u>10,615,714</u>	<u>627</u>	<u>-</u>	<u>10,616,341</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	3,332,025	-	-	3,332,025
Collection Development and Processing	1,947,246	-	-	1,947,246
Support Services:				
Facilities Operation and Maintenance	1,230,619	-	-	1,230,619
Information Services	529,555	-	-	529,555
Business Administration	1,293,559	-	-	1,293,559
Capital Outlay	72,902	-	1,341,918	1,414,820
<i>Total Cash Disbursements</i>	<u>8,405,906</u>	<u>-</u>	<u>1,341,918</u>	<u>9,747,824</u>
<i>Net Change in Fund Cash Balances</i>	2,209,808	627	(1,341,918)	868,517
<i>Fund Cash Balances, January 1 (Restated - See Note 12)</i>	<u>7,105,016</u>	<u>36,544</u>	<u>9,305,016</u>	<u>16,446,576</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 9,314,824</u>	<u>\$ 37,171</u>	<u>\$ 7,963,098</u>	<u>\$ 17,315,093</u>

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

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The MidPointe Library System Library (the Library), Butler County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City of Middletown appoints a 7-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Douglas J Bean Progress Fund – The Douglas Bean Progress Fund is a charitable fund to recognize former Library director Douglas J Bean that accepts donation to progress the Library.

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.

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit.

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2022
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Change in Basis of Accounting

Last audit period the Library presented financial statements on the cash basis of accounting. The fund financial statements presented each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. This audit period the Library has elected to report fund financial statements by fund type using the regulatory basis of accounting as prescribed by the Auditor of State.

Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

A summary of 2022 budgetary activity appears in Note 3.

Deposits and Investments

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

The Federal Reserve holds the Library's U.S. Treasury Notes in book-entry form by, in the name of the Library's financial institution. Money market mutual funds are recorded at share values the mutual funds report. The financial institution maintains records identifying the Library as owner of these securities. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

Nonspendable The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Library and the nonexpendable portion of the corpus in permanent funds.

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2022
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 8,883,750	\$ 10,615,714	\$ 1,731,964
Special Revenue	1,200	627	(573)
Total	\$ 8,884,950	\$ 10,616,341	\$ 1,731,391

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 9,863,398	\$ 8,990,778	\$ 872,620
Special Revenue	1,000	-	1,000
Capital Projects	2,374,509	1,874,003	500,506
Total	\$ 12,238,907	\$ 10,864,781	\$ 1,374,126

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2022
(Continued)

Note 4 – Deposits and Investments

To improve cash management, cash received by the Library is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The Library also has segregated accounts, which include clearing accounts and amounts with fiscal and escrow agents that are not part of this pool. A summary of the Library's deposit and investment accounts are as follows:

	2022
<i>Cash Management Pool:</i>	
Demand deposits	\$ 1,094,513
Certificates of deposit	5,431,596
Total deposits	6,526,109
U.S. Treasury Notes	3,149,827
STAR Ohio	7,639,157
Total investments	10,788,984
<i>Total carrying amount of deposits and investments held in the Pool</i>	\$ 17,315,093
 <i>Segregated Accounts - Not held in the Pool:</i>	
Payroll Clearing Account (Not held in the Pool)	\$ 21,141
<i>Total Outside Accounts</i>	\$ 21,141

The Library has a payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statements reflect gross payroll. The balance in the Library's payroll clearing account represents unremitted employee payroll withholdings.

Deposits

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

Investments

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

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

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2022
(Continued)

Note 5 – Grants in Aid and Taxes

Grants in Aid

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

Property Taxes

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

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

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. 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 (if material).

Commercial Insurance

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 2022, the Library contracted with several companies for the following risks:

- Commercial Property;
- Commercial Umbrella;
- Inland Marine;
- Vehicle;
- Library Officials;
- Fidelity and Deposit; and
- Cyber Security.

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.

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2022
(Continued)

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2022.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 9 – Construction and Contractual Commitments

In December of 2021, the MidPointe Library System Board of Trustees passed a resolution to purchase property in Liberty Township to build a new library branch to expand services within the Library's service area. In 2022 the Library requested qualifications from architectural firms to select an architect to build a new library branch in Liberty Township. After reviewing qualifications, The MidPointe Library System board approved the library to enter a contractual agreement with architectural firm LWC Incorporated in June of 2022. The Liberty Township library branch project is still ongoing.

MidPointe Library System
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2022
(Continued)

Note 10 – Fund Balances

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

Fund Balances	General	Capital Projects	Total
Outstanding Encumbrances	\$ 584,872	\$ 532,085	\$ 1,116,957
<i>Total</i>	<i>\$ 584,872</i>	<i>\$ 532,085</i>	<i>\$ 1,116,957</i>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Library. The impact on the Library's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

The Library's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

Note 12 – Restatement of Fund Balances

Beginning fund balance at January 1, 2022 was restated for the Library's General Fund and Special Revenue Funds due to the elimination of the Library's Memorial Fund which had previously accounted for unrestricted contributions.

	General	Special Revenue
Ending Fund Balance, December 31, 2021	\$ 7,083,314	\$ 58,246
Restatement Amount	21,702	(21,702)
Beginning Fund Balance, January 1, 2022, Restated	\$ 7,105,016	\$ 36,544

This page intentionally left blank.

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

MidPointe 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022 and the related notes to the financial statements of the MidPointe Library System, Butler County, (the Library) and have issued our report thereon dated June 4, 2024, wherein we noted the Library followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the Library elected to change its financial presentation from a cash basis comparable to the requirements of *Governmental Accounting Standards* to the accounting basis permitted by the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *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

June 4, 2024

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 8/1/2024

65 East State 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