



Dave Yost • Auditor of State



**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

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BUTLER COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

MidPoint Library System  
Butler County  
125 S. Broad Street  
Middletown, Ohio 45044

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the MidPoint Library System (formerly known as the Middletown Public Library), Butler County, Ohio (the Library), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

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 MidPoint Library System, Butler County, Ohio, as of December 31, 2011 and 2010, and the respective changes in cash financial position, thereof and the budgetary comparison for the General fund thereof for the years then ended in conformity with the accounting basis Note 1 describes.

As described in Note 3, during 2011 and 2010 the MidPoint Library System adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The Library changed its name from Middletown Public Library to MidPoint Library System on April 9, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2012, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Library's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it



**Dave Yost**  
Auditor of State

August 1, 2012

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(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, 2011, 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 2011 are as follows:

Net assets of governmental activities increased by \$2,635,950 or 58 percent. The fund most affected by increase was the General Fund, which had an increase of \$2,605,967 in the fund balance due to a new property tax levy which started collections in 2011. The Capital Improvement Fund had an increase from the previous year of \$29,874 due to a transfer from the General Fund.

The Library's general receipts are primarily from the Public Library Fund (PLF) and a new property tax levy. In 2011, these two revenues represent 96 percent of the total cash received for governmental activities during the year. In 2011, PLF funding increased by \$323,828.

**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.

**Report Components**

The statement of net assets 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.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**(Unaudited)**

**(Continued)**

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 assets and the statement of activities reflect how the Library did financially during 2011, using the cash basis of accounting. The statement of net assets 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.

**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 and the Capital Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

(Unaudited)

(Continued)

**The Government as a Whole**

Table 1 provides a summary of the Library's net assets for 2011 compared to 2010 on a cash basis:

**(Table 1)  
Net Assets**

	Governmental Activities	
	2011	2010
<b>Assets</b>		
Cash and Cash Equivalents	\$7,204,733	\$4,568,783
<b>Total Assets</b>	<b>7,204,733</b>	<b>4,568,783</b>
<b>Net Assets</b>		
Restricted for:		
Capital Projects	2,190,293	2,160,419
Other Purposes	122,451	122,340
Unrestricted	4,891,989	2,286,024
<b>Total Net Assets</b>	<b>\$7,204,733</b>	<b>\$4,568,783</b>

As mentioned previously, net assets of governmental activities increased by \$2,635,950 or 58 percent. The primary reasons contributing to the increase in cash balances are as follow:

- The General Fund balance increased by \$2,605,967 due to a new property tax Levy that went into effect in 2011
- The retirement of several key employees and realignment of personnel

Table 2 reflects the changes in net assets in 2011 and 2010.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

(Unaudited)  
(Continued)

(Table 2)  
Changes in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$236,554	\$230,610
Patron Coin-Op	7,751	7,332
Sale of Surplus	7,222	4,245
Sale of Supplies	594	560
Total Program Receipts	252,122	242,747
General Receipts:		
General Property Taxes	3,108,970	-
Public Library Fund	4,549,772	4,225,944
Earnings on Investments	8,867	9,762
Restricted Gifts and Contributions	17,678	5,700
Unrestricted Contributions	24,453	40,234
Miscellaneous	43,704	52,501
Total General Receipts	7,753,443	4,334,143
Total Receipts	8,005,565	4,576,892
Disbursements:		
Public Service	2,104,199	1,892,958
Collection Development	1,260,227	1,020,153
Facilities Operations	786,733	729,740
Information Services	153,092	101,333
Business Administration	747,085	640,929
Capital Outlay	318,278	142,988
Total Disbursements	5,369,615	4,528,099
Increase (Decrease) in Net Assets	2,635,950	48,793
Net Assets, Beginning of Year	4,568,783	4,519,989
Net Assets, End of Year	\$7,204,733	\$4,568,782

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

(Unaudited)

(Continued)

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, 99 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 drop in Public Library funding which come from the State's income tax revenue in which Middletown Public Library is heavily dependent upon. As a result the Library was forced to continue to realign operations of the Library.

**Governmental Activities**

If you look at the Statement of Activities on page 10, 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 2011	Net Cost Of Services 2011	Total Cost Of Services 2010	Net Cost Of Services 2010
Public Service	\$2,104,199	(\$1,852,078)	\$1,892,958	(\$1,650,210)
Collection Development	1,260,227	(1,260,227)	1,020,153	(1,020,153)
Facilities Operations	786,733	(786,733)	729,740	(729,740)
Information Services	153,092	(153,092)	101,333	(101,333)
Business Administration	747,085	(747,085)	640,929	(640,929)
Capital Outlay	318,278	(318,278)	142,988	(142,988)
<b>Total Expenses</b>	<b>\$5,369,615</b>	<b>(\$5,117,493)</b>	<b>\$4,528,099</b>	<b>(\$4,285,351)</b>

The dependence upon the Public Library Fund and a property tax levy is apparent, as over 95 percent of governmental activities are supported through these general receipts. The total cost of services for Capital Outlay increased from 2010 to 2011 due to major projects completed.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**(Unaudited)**

**(Continued)**

**The Government's Funds**

Total governmental funds had receipts of \$8,005,565 and disbursements of \$5,369,615. The greatest change within governmental funds occurred within the General Fund. The fund balance of the Capital Improvement Fund increased by \$29,874 due to 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 2011, the Government did not amend its General Fund budget. The Middletown Public Library appropriates at the fund level for each fund.

Actual disbursements were \$5,140,560. The Library's spending was below the budgeted amounts as demonstrated by the reported variances. The result is a increase in fund balance of \$2,605,967 for 2011.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on the Public Library Fund. Our newly prepared financial forecast predicted a deficit for 2010 and beyond; therefore, the Board of Trustees initiated a ballot initiative for the service area of the Library. On May 4, 2010, the voters of the service district approved a .75 mil operating levy for a 5 year period which commenced on January 1, 2011.

**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, Middletown Public Library, 125 S. Broad Street, Middletown, OH 45044.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2011*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,204,733
<i>Total Assets</i>	<u><u>\$7,204,733</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital projects	2,190,293
Other purposes	122,451
Unrestricted	<u>\$4,891,989</u>
<i>Total Net Assets</i>	<u><u>\$7,204,733</u></u>

See accompanying notes to the basic financial statements

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2011*

	Program Cash Receipts			Net(Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Library Services:				
Public Services and Programs	2,104,199	252,122		(\$1,852,077)
Collection Development and Processing	1,260,227			(\$1,260,227)
Support Services:				
Facilities Operation and Maintenance	786,733			(\$786,733)
Information Services	153,092			(\$153,092)
Business Administration	747,085			(\$747,085)
Capital Outlay	318,278			(\$318,278)
<i>Total Governmental Activities</i>	<u>\$5,369,615</u>	<u>\$252,122</u>	<u>\$0</u>	<u>(\$5,117,493)</u>
General Receipts:				
				3,108,970
				4,549,772
				24,453
				17,678
				8,867
				43,704
<i>Total General Receipts</i>				<u>7,753,444</u>
				2,635,951
<i>Net Assets Beginning of Year</i>				<u>4,568,782</u>
<i>Net Assets End of Year</i>				<u>\$7,204,733</u>

See accompanying notes to the basic financial statements

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

*Statement of Assets and Fund Balances- Cash Basis  
Governmental Funds  
December 31, 2011*

	General	Capital Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,891,989	\$2,190,293	\$122,451	\$7,204,733
<i>Total Assets</i>	<u>\$4,891,989</u>	<u>\$2,190,293</u>	<u>\$122,451</u>	<u>\$7,204,733</u>
<b>Fund Balances</b>				
Committed		\$2,072,075		2,072,075
Assigned	167,477	118,218	122,451	408,146
Unassigned (Deficit)	<u>4,724,512</u>			<u>4,724,512</u>
<i>Total Fund Balances</i>	<u>\$4,891,989</u>	<u>\$2,190,293</u>	<u>\$122,451</u>	<u>\$7,204,733</u>

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2011*

	General	Capital Imp. Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$3,108,970			\$3,108,970
Public Library	4,549,772			4,549,772
Patron Fines and Fees	252,122			252,122
Services Provided to Other Entities				0
Contributions, Gifts and Donations	33,252		8,879	42,131
Earnings on Investments	8,707		160	8,867
Miscellaneous	43,704			43,704
<i>Total Receipts</i>	<u>7,996,526</u>	<u>0</u>	<u>9,039</u>	<u>8,005,565</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	2,097,580		6,619	2,104,199
Collection Development and Processing	1,260,227			1,260,227
Support Services:				
Facilities Operation and Maintenance	786,733			786,733
Information Services	153,092			153,092
Business Administration	744,774		2,311	747,085
Capital Outlay	98,153	220,126		318,278
<i>Total Disbursements</i>	<u>5,140,560</u>	<u>220,126</u>	<u>8,930</u>	<u>5,369,615</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,855,967</u>	<u>(220,126)</u>	<u>109</u>	<u>2,635,950</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		250,000		250,000
Transfers Out	(250,000)			(250,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(250,000)</u>	<u>250,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	2,605,967	29,874	109	2,635,950
<i>Fund Balances Beginning of Year</i>	<u>2,286,022</u>	<u>2,160,419</u>	<u>122,342</u>	<u>4,568,783</u>
<i>Fund Balances End of Year</i>	<u><u>\$4,891,989</u></u>	<u><u>\$2,190,293</u></u>	<u><u>\$122,451</u></u>	<u><u>\$7,204,733</u></u>

See accompanying notes to the basic financial statements



**MIDDLETOWN PUBLIC LIBRARY**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual - Budget Basis  
 General Fund  
 For the Year Ended December 31, 2011*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$3,000,000	\$2,500,000	3,108,970	\$608,970
Public Library	4,712,477	4,702,223	4,549,772	(152,451)
Patron Fines and Fees	235,000	235,000	252,122	17,122
Contributions, Gifts and Donations	500	20,000	33,252	13,252
Earnings on Investments	30,000	15,000	8,707	(6,293)
Miscellaneous	42,000	39,750	43,704	3,954
<i>Total Receipts</i>	<u>8,019,977</u>	<u>7,511,973</u>	<u>7,996,526</u>	<u>484,553</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	2,425,359	2,425,359	2,097,580	327,779
Collection Development and Processing	1,529,500	1,529,500	1,260,227	269,273
Support Services:				
Facilities Operation and Maintenance	1,064,659	1,064,659	786,733	277,927
Information Services	173,178	173,178	153,092	20,086
Business Administration	882,249	882,249	744,774	137,475
Capital Outlay	130,000	130,000	98,153	31,847
<i>Total Disbursements</i>	<u>6,204,945</u>	<u>6,204,945</u>	<u>5,140,560</u>	<u>1,064,386</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,815,032</u>	<u>1,307,028</u>	<u>2,855,967</u>	<u>1,548,939</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(250,000)	(250,000)	(250,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,565,032	1,057,028	2,605,967	1,548,939
<i>Unencumbered Fund Balance Beginning of Year</i>	1,451,603	2,213,064	2,213,064	0
Prior Year Encumbrances Appropriated	72,958	72,958	72,958	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$3,089,593</u>	<u>\$3,343,050</u>	<u>\$4,891,989</u>	<u>\$1,548,939</u>

See accompanying notes to the basic financial statements

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**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

The Middletown Public Library, 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 Middletown Public Library 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 Middletown Public Library 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 assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

(continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of net assets presents the cash and investments 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.

Education Fund – The Education Fund accounts for unrestricted monies deposited into the fund for the purposes of reimbursing employees for ongoing education expenses.

Memorial Fund – The Memorial Fund accounts for unrestricted donations received by the library in memoriam of someone.

**MIDDLETOWN PUBLIC LIBRARY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Douglas J. Bean Progress Fund – The DJB Progress Fund accounts for yearly unrestricted donations received by the library for the purposes of building a significant balance to fund future projects.

**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, and accrued expenses and liabilities) 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 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 Trustees during the year.

**E. Cash and Cash Equivalents**

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

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 2011, investments were limited to nonnegotiable Certificate of Deposits. 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 2011 totaled \$8,707.

**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.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

(continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 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 7 & 8, the employer contributions include portions for pension benefits and for postretirement 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.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS/FUND EQUITY**

For fiscal year 2011, the Library implemented Governmental Accounting Standard Board (GASB Statement 54), “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**NOTE 4 – 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 \$167,477 for the General Fund and \$118,218 for Capital Projects.

**NOTE 5 - 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.



**MIDDLETOWN PUBLIC LIBRARY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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).

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.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

(continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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 \$1,000 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 \$7,204,733 and the bank balance was \$6,785,632. 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, 2011, the Library had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Fifth Third Bank Certificate of Deposit	250,000	9/4/2012
Fifth Third Bank Certificate of Deposit	<u>250,000</u>	6/3/2013
Total Portfolio	500,000	

**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 6 – PROPERTY TAXES**

Property taxes include amounts levied against all real property located in the Library service district. Property tax revenue received during 2011 for real property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of the appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. 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, 2011 was \$3.26 per \$1,000 of assessed value. The assessed values of real property upon which 2011 property tax receipts were based are as follows:

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(continued)**

**NOTE 6 – PROPERTY TAXES (Continued)**

Real Property	10,553,469,388
Total	<u>10,553,469,388</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.

**NOTE 7 – 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 2011, the Library contracted with several companies for various types of insurance coverage as follows:

Type of Coverage	Coverage
Commercial Property	\$8,689,928
General Liability	1,000,000
Commercial Umbrella	3,000,000
Inland Marine	9,650,991
Vehicle	50,000
Library Officials	50,000
Fidelity and Deposit	\$5,000

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 System administers and pays all claims.

**NOTE 8 – 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.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(continued)**

**NOTE 9 – 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, 2011, 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 2011, member and employer contribution rates were consistent across all three plans.

The Library's 2011 contribution rate was 14.0 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 was 5.5 percent from January 1 through February 28, 2011 and 5 percent from March 1 through December 31, 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2011 and 4.23 percent from March 1 through December 31, 2011. Employer contribution rates are actuarially determined.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(continued)**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**

The Library's required contributions for pension obligations to the Traditional and Combined plans for the years ended December 31, 2011, 2010, and 2009 were \$333,117, \$299,899, and \$362,607 respectively; the full amount has been contributed for 2011, 2010, and 2009.

**NOTE 10 – POST EMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional or Combined plans. Health care coverage for disability recipients and primary survivors recipients is available. Members of the Member-Directed Plan do not qualify for postretirement 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 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4% for calendar year 2011.

The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2011.

**Summary of Assumptions:**

**Actuarial Review-**The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2008.

**Funding Method-**The individual entry age actuarial cost method of valuations is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

**Assets Valuation Method-**All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(continued)**

**NOTE 10 – POST EMPLOYMENT BENEFITS (Continued)**

Investment Return-The investment assumption rate for 2008 was 6.5%.

Active Employee Total Payroll-An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4% base increase, were assumed to range from 0.50% to 6.3%.

Health Care-Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 3.00% for the next 6 years. In subsequent years, (7 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB is advance-funded on an actuarially determined basis. The following disclosures are required:

The Traditional Pension and Combined Plans had 357,584 active contributing participants as of December 31, 2010. The number of active contributing participants for both plans used in the December 31, 2008, actuarial valuations were 333,117.

The rates stated above are the contractually required contribution rates for OPERS. Contributions made by the Library to fund post employment benefits in 2011 were \$95,172.

The amount of \$10.7 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2008.

Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2008, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB at \$29.6 billion and \$18.9 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to health care plan.

**NOTE 11 – 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:

**MIDDLETOWN PUBLIC LIBRARY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(continued)**

**NOTE 11 – FUND BALANCES (Continued)**

<u>Fund Balances</u>	<u>General Fund</u>	<u>Capital Fund</u>	<u>Non Major Governmental Funds</u>	<u>Total</u>
Committed to		2,072,075		2,072,075
Assigned to	167,477	118,218	122,451	408,146
Unassigned	4,724,512			4,724,512
 Total Fund Balances	 4,891,989	 2,190,293	 122,451	 7,204,733

**NOTE 12 – INTERFUND TRANSFERS**

The General Fund transferred \$250,000 to the Capital Improvement Fund for the purchase and maintenance of various items throughout the Library.

**NOTE 13 – SUBSEQUENT EVENT**

On April 9, 2012, the Middletown Public Library officially changed its name to MidPointe Library System.

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**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(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, 2010, 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 2010 are as follows:

Net assets of governmental activities increased by \$48,793 or 1 percent. The fund most affected by increase was the General Fund, which had an increase of \$142,516 in the fund balance. The Capital Improvement Fund had a decrease from the previous year of \$102,675 due to higher than expected Capital Improvement costs.

The Library's general receipts are primarily from the Public Library Fund (PLF). In 2010, these receipts represent 93 percent of the total cash received for governmental activities during the year. In 2010, PLF revenue decreased by \$272,239.

**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.

**Report Components**

The statement of net assets 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.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**(Unaudited)  
(Continued)**

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 assets and the statement of activities reflect how the Library did financially during 2010, using the cash basis accounting. The statement of net assets 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.

**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 and the Capital Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Unaudited)  
(Continued)**

**The Government as a Whole**

Table 1 provides a summary of the Library's net assets for 2010 compared to 2009 on a cash basis:

**(Table 1)  
Net Assets**

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalent	\$4,568,783	\$4,519,989
<b>Total Assets</b>	<b>4,568,783</b>	<b>4,519,989</b>
 <b>Net Assets</b>		
Restricted for:		
Capital Projects	2,160,419	2,263,094
Other Purposes	122,340	
Unrestricted	2,286,024	2,256,895
<b>Total Net Assets</b>	<b>\$4,568,783</b>	<b>\$4,519,989</b>

As mentioned previously, net assets of governmental activities increased by \$48,793 or one percent during 2010. The primary reasons contributing to the increase in cash balances are as follow:

- The General Fund balance increased by \$142,516 due to lower than expected personnel costs in the reorganization plan
- Realignment of service delivery which resulted in lower expenditures

Table 2 reflects the changes in net assets in 2010 and 2009.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

(Unaudited)  
(Continued)

(Table 2)  
Changes in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$230,610	\$244,620
Patron Coin-Op	7,332	5,510
Sale of Surplus	4,245	12,065
Sale of Supplies	560	3,905
Total Program Receipts	242,747	266,100
General Receipts:		
General Property Taxes		
Public Library Fund	4,225,944	4,498,183
Earnings on Investments	9,762	62,439
Restricted Gifts and Contributions	5,700	10,000
Unrestricted Contributions	40,234	26,944
Miscellaneous	52,501	20,018
Total General Receipts	4,334,143	4,617,584
Total Receipts	4,576,892	4,883,684
Disbursements:		
Public Service	1,892,958	2,301,480
Collection Development	1,020,153	1,279,176
Facilities Operations	729,740	711,316
Information Systems	101,333	115,173
Business Administration	640,929	760,114
Capital Outlay	142,988	1,063,970
Total Disbursements	4,528,099	6,231,229
Increase (Decrease) in Net Assets	48,793	(1,347,545)
Net Assets, Beginning of Year	4,519,989	5,867,534
Net Assets, End of Year	\$4,568,782	\$4,519,989

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

(Unaudited)

(Continued)

The significant drop in revenues is due to the decrease of the PLF (Public Library Fund) which is related to the State's income tax revenues. The decrease in Collection Development Processing is due to budget adjustments related to the drop in the PLF. The Capital Outlay increase from 2009 to 2010 is from the expenditures related to the opening of the new West Chester branch.

Program receipts represent only 5 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 95 percent of the Library's total receipts, and of this amount, 92 percent is from the Public Library Fund. 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 drop in Public Library funding which come from the State's income tax revenue in which Middletown Public Library is heavily dependent upon. As a result the Library was forced to continue to realign operations of the Library.

**Governmental Activities**

If you look at the Statement of Activities on page 10, 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 2010	Net Cost Of Services 2010	Total Cost Of Services 2009	Net Cost Of Services 2009
Public Service	\$1,892,958	(\$1,650,210)	\$2,301,480	(\$2,035,380)
Collection Development	1,020,153	(1,020,153)	1,279,176	(1,279,176)
Facilities Operations	729,740	(729,740)	711,316	(711,316)
Information Services	101,333	(101,333)	115,173	(115,173)
Business Administration	640,929	(640,929)	760,114	(760,114)
Capital Outlay	142,988	(142,988)	1,063,970	(1,063,970)
Total Expenses	<u>\$4,528,101</u>	<u>(\$4,285,353)</u>	<u>\$6,231,229</u>	<u>(\$5,965,129)</u>

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**(Unaudited)**

**(Continued)**

The dependence upon the Public Library Fund is apparent, as over 95 percent of governmental activities are supported through these general receipts. The total cost of services for Capital Outlay decreased from 2009 to 2010 since major expenditures had been completed in 2009.

**The Government's Funds**

Total governmental funds had receipts of \$4,576,892 and disbursements of \$4,528,099. The greatest change within governmental funds occurred within the Capital Improvement Fund. The fund balance of the Capital Improvement Fund decreased by \$102,675 for expenditures related to computer equipment.

**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 2010, the Library amended its General Fund budget. The Middletown Public Library appropriates at the fund level for each fund. Actual disbursements were \$4,414,903. The Library's spending was below the budgeted amounts as demonstrated by the reported variances. The result is an increase in fund balance of \$142,516 for 2010.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on the Public Library Fund. Our newly prepared financial forecast predicted a deficit for 2010 and beyond; therefore, the Board of Trustees initiated a ballot initiative for the service area of the Library. On May 4, 2010, the voters of the service district approved a .75 mil operating levy for a 5 year period which will commence on January 1, 2011.

**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, Middletown Public Library, 125 S. Broad Street, Middletown, OH 45044.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2010**

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,568,783
Total Assets	<u>\$4,568,783</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$2,160,419
Other Purposes	\$122,340
Unrestricted	\$2,286,024
Total Net Assets	<u>\$4,568,783</u>

See Accompanying notes to the basic financial statements

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Program Cash Receipts</u>			<u>Net(Disbursements) Receipts and Changes in Net Assets</u>
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Library Services:				
Public Service and Programs	1,892,958	242,748		(1,650,210)
Collection Development and Proc	1,020,153			(1,020,153)
Support Services				
Facilities Operations & Maint	729,740			(729,740)
Information Services	101,333			(101,333)
Business Administration	640,929			(640,929)
Capital Outlay	142,988			(142,988)
<b>Total Governmental Activities</b>	<u>\$4,528,101</u>	<u>\$242,748</u>	<u>\$0</u>	<u>\$0</u>
<b>General Receipts</b>				
				General Property Taxes
				Public Library Fund
				Earnings on Investments
				Restricted Gifts and Contributions
				Unrestricted Contributions
				Miscellaneous
				<u>Total General Receipts</u>
				\$4,225,944
				\$9,762
				5,700
				40,234
				52,501
				\$4,334,143
				Change in Net Assets
				(\$48,793)
				Net Assets Beginning of Year
				<u>\$4,519,989</u>
				<b>Net Assets End of Year</b>
				<u><u>\$4,568,782</u></u>

See accompanying notes to the basic financial statements



**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General Fund	Capital Imp. Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,286,022	\$2,160,419	\$122,342	\$4,568,783
<i>Total Assets</i>	<u>\$2,286,022</u>	<u>\$2,160,419</u>	<u>\$122,342</u>	<u>\$4,568,783</u>
<b>Fund Balances</b>				
Restricted				
Committed		\$2,114,434		\$2,114,434
Assigned	\$72,958	\$45,985	\$122,342	\$241,285
Unassigned	\$2,213,064			\$2,213,064
<i>Total Fund Balances</i>	<u>\$2,286,022</u>	<u>\$2,160,419</u>	<u>\$122,342</u>	<u>\$4,568,783</u>

See accompanying notes to the basic financial statements

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General Funds	Capital Improvement Funds	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Public Library Fund	\$4,225,944			\$4,225,944
Patron Fines and Fees	242,748			242,748
Contributions, Gifts and Donations	26,697		19,238	45,935
Earnings on Investments	9,527		236	9,764
Miscellaneous	52,501			52,501
<i>Total Receipts</i>	<u>4,557,418</u>	<u>0</u>	<u>19,474</u>	<u>4,576,892</u>
<b>Disbursements</b>				
Library Services:				
Public Services and Programs	1,888,782		4,176	1,892,958
Collection Development and Processing	1,020,153			1,020,153
Support Services:				
Facilities Operation and Maintenance	729,740			729,740
Information Systems	101,333			101,333
Business Administration	634,584		6,345	640,929
Capital Outlay	40,312	102,676		142,988
<i>Total Disbursements</i>	<u>4,414,903</u>	<u>102,676</u>	<u>10,521</u>	<u>4,528,099</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	142,515	(102,676)	8,953	48,793
<i>Net Change in Fund Balances</i>	142,515	(102,676)	8,953	48,793
<i>Fund Balances Beginning of Year</i>	<u>2,143,507</u>	<u>2,263,094</u>	<u>113,387</u>	<u>4,519,990</u>
<i>Fund Balances End of Year</i>	<u>\$2,286,022</u>	<u>\$2,160,419</u>	<u>\$122,340</u>	<u>\$4,568,783</u>

See accompanying notes to the basic financial statements

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL BUDGET BASIS - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Public Library	4,083,788	4,083,788	4,225,944	142,156
Patron Fines and Fees	245,000	245,000	242,748	(2,252)
Contributions, Gifts and Donations	7,500	7,500	26,697	19,197
Earnings on Investments	10,000	10,000	9,527	(473)
Miscellaneous	36,000	36,000	52,501	16,501
<i>Total Receipts</i>	<u>4,382,288</u>	<u>4,382,288</u>	<u>4,557,418</u>	<u>175,130</u>
<b>Disbursements</b>				
Library Services:				
Public Services and Programs	2,136,233	2,201,201	1,888,782	312,419
Collection Development and Processing	1,116,667	1,116,667	1,020,153	96,514
Support Services:				
Facilities Operation and Maintenance	776,812	776,812	729,740	47,072
Information Systems	97,101	97,101	101,333	(4,231)
Business Administration	679,710	679,710	634,584	45,126
Capital Outlay	48,551	48,551	40,312	
<i>Total Disbursements</i>	<u>4,855,074</u>	<u>4,920,042</u>	<u>4,414,903</u>	<u>496,901</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(472,786)</u>	<u>(537,754)</u>	<u>142,515</u>	<u>680,269</u>
<i>Net Change in Fund Balance</i>	(472,786)	(537,754)	142,515	680,269
<i>Uncumbered Fund Balance Beginning of Year</i>	2,100,200	2,100,200	2,100,200	0
Prior Year Encumbrances Appropriated	43,307	43,307	43,307	0
Fund Balance End of Year	<u><u>1,670,721</u></u>	<u><u>1,605,753</u></u>	<u><u>2,286,022</u></u>	<u><u>680,269</u></u>

See accompanying notes to the basic financial statements

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**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

The Middletown Public Library, 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 Friends of the Ohio Public Library, Inc. 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 Middletown Public Library 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 assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of net assets presents the cash and investments balance 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 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.

Education Fund – The Education Fund accounts for unrestricted monies deposited into the fund for the purposes of reimbursing employees for ongoing education expenses.

Memorial Fund – The Memorial Fund accounts for unrestricted donations received by the library in memoriam of someone.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Douglas J. Bean Progress Fund – The DJB Progress Fund accounts for yearly unrestricted fund donations received by the library for the purposes of building a significant balance to fund future projects.

**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, and accrued expenses and liabilities) 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 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 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."

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2010 totaled \$9,527.

**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.



**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 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 7 & 8, the employer contributions include portions for pension benefits and for postretirement 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.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS/FUND EQUITY**

For fiscal year 2010, the Library early implemented Governmental Accounting Standard Board (GASB Statement 54), "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**NOTE 4 – 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 is 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 a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$72,957 for the General fund and \$45,985 (budgetary basis) for all other funds.

**NOTE 5 - 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.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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).

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.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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 \$1,000 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 \$4,568,783 and the bank balance was \$4,610,026. 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.

**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 2010, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Type of Coverage</u>	<u>Coverage</u>
Commercial Property	\$8,689,928
General Liability	1,000,000
Commercial Umbrella	3,000,000
Inland Marine	9,650,991
Vehicle	50,000
Library Officials	50,000
Fidelity and Deposit	\$5,000

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 System administers and pays all claims.

**NOTE 7 – PUBLIC LIBRARY FUND**

The primary 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.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(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.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans.

For the year ended December 31, 2010, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2010 was 14.00 percent.

The Library's required contributions for pension obligations to the Traditional and Combined plans for the years ended December 31, 2010, 2009, and 2008 were \$299,899, \$362,607, and \$376,508 respectively; the full amount has been contributed for 2010, 2009, and 2008.

**NOTE 9 – POST EMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional or Combined plans. Health care coverage for disability recipients and primary survivors recipients is available. Members of the Member-Directed Plan do not qualify for postretirement health care coverage.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 9 – POST EMPLOYMENT BENEFITS (Continued)**

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 12. A portion of each employer's contribution to OPERS is set aside for the funding post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010.

The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010. The

Summary of Assumptions:

Actuarial Review-The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2008.

Funding Method-The individual entry age actuarial cost method of valuations is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method-All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return-The investment assumption rate for 2008 was 6.5%.

Active Employee Total Payroll-An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4% base increase, were assumed to range from 0.50% to 6.3%.

Health Care-Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 3.00% for the next 6 years. In subsequent years, (7 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB is advance-funded on an actuarially determined basis. The following disclosures are required:

The Traditional Pension and Combined Plans had 357,584 active contributing participants as of December 31, 2010. The number of active contributing participants for both plans used in the December 31, 2008, actuarial valuations were 356,388.

The rates stated above are the contractually required contribution rates for OPERS. Contributions made by the Library to fund post employment benefits in 2010 were \$107,094.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE 9 – POST EMPLOYMENT BENEFITS (Continued)**

The amount of \$10.7 billion represents the actuarial value of OPERS’ net assets available for OPEB at December 31, 2008.

Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2008, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB at \$29.6 billion and \$18.9 billion, respectively

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to health care plan.

**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>Non Major Governmental Funds</u>	<u>Total</u>
Committed to		2,114,434		2,114,434
Assigned to	72,958	45,985	122,342	241,984
Unassigned	2,213,022			
<b>Total Fund Balances</b>	<b>2,286,022</b>	<b>2,160,419</b>	<b>122,342</b>	<b>4,568,783</b>

**NOTE 11 – SUBSEQUENT EVENTS**

On May 4, 2010, voters approved a 0.75 mill levy for the benefit of the Middletown Public Library for current expenses. The Tax will be levied for a period of five years, commencing in 2010, first due in 2011. The levy is expected to generate approximately \$3.2 million per year.

On April 9, 2012, the Middletown Public Library officially changed its name to MidPointe Library System.

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# Dave Yost • Auditor of State

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

MidPoint Library System  
Butler County  
125 S. Broad Street  
Middletown, Ohio 45044

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of MidPoint Library System (formerly known as Middletown Public Libraries), Butler, Ohio (the Library), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 1, 2012, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted that the Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and the Library changed its name on April 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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*.

We did note a certain matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated August 1, 2012.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Library. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

August 1, 2012

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 and 2010**

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

**FINDING NUMBER 2011-01**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly classified and reported in the annual financial statements.

The Library implemented Governmental Accounting Systems Board (GASB) Statement 54 - Fund Balance Classifications. However, the Fund Balances documented in the financial statements were not applied in conformity with the definitions as outlined in GASB Statement 54. The following reclassifications were made to the Library's fund balances:

2010:

General Fund - \$72,958 from Restricted to Assigned  
General Fund - \$2,213,064 from Assigned to Unassigned  
Capital Improvement - \$45,985 from Restricted to Assigned  
Capital Improvement - \$2,114,434 from Restricted to Committed

2011:

General Fund - \$167,477 from Restricted to Assigned  
General Fund - \$4,724,512 from Assigned to Unassigned  
Capital Improvement - \$118,218 from Restricted to Assigned  
Capital Improvement - \$1,997,995 from Restricted to Committed

Additionally, the budgeted receipt amounts reported in the Budget to Actual Statement did not agree to the certified amended certificates. For fiscal years 2011 and 2010, there were differences of \$508,004 and \$72,000 respectively. The Library made adjustments to the financial statements for these items. Failure to properly report budgeted receipts and fund balance classifications may result in misleading financial statements. We recommend the Library use due care in preparing the financial statements.

**Officials' Response:**

GASB 54 was implemented at Midpointe Public Library in 2012. The Library also changed the 2011 statements to reflect the new reporting model. There have been several discussions with the auditors about the classification of the year end numbers. Although the Midpointe Library is in disagreement with the State Auditor, the Library agreed to change the classification of the year end numbers. The County made an error in the amended certificate sent to the Library and the Library did not note the changed certified amount.

**AOS Conclusion:**

MidPointe Library System implemented GASB 54 for the 2011 financial statements and early implemented GASB 54 for the 2010 financial statements. Auditor of State Bulletin 2011-004 should be utilized for fund reclassifications.

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# Dave Yost • Auditor of State

**MIDPOINTE LIBRARY SYSTEM**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 16, 2012**