



Dave Yost • Auditor of State



**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of MidPointe Library System, Butler County, Ohio (the Library), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of MidPointe Library System, Butler County, Ohio, as of December 31, 2013 and 2012, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the Library's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2014, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

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

Columbus, Ohio

July 24, 2014

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**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013, 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 2013 are as follows:

Net position of governmental activities increased by \$1,794,290 or 20 percent. The fund most affected by increase was the General Fund, which had an increase of \$1,000,023. The Capital Improvement Fund had an increase for year of \$781,604 due to lower than expected expenditures.

The Library's general receipts are primarily from the Public Library Fund (PLF) and a new property tax levy. In 2013, these two revenues represent 95 percent of the total cash received for governmental activities during the year. In 2013, PLF funding increased by \$101,625.

**Using the Basic Financial Statements**

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

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**Reporting the Government as a Whole**

The statement of net position and the statement of activities reflect how the Library did financially during 2013, using the cash basis of accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**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.

**The Government as a Whole**

Table 1 provides a summary of the Library's net position for 2013 compared to 2011 on a cash basis:

**Net Position**

<b>Assets</b>	<b>Governmental Activities</b>	
	2013	2012
Cash and Cash Equivalents	\$10,736,462	\$8,942,172
Total Assets	10,736,462	8,942,172
<b>Net Position</b>		
Restricted for:		
Capital Outlay	3,790,155	3,008,551
Other Purposes	654,273	641,610
Unrestricted	6,292,034	5,292,010
Total Net Position	\$10,736,462	\$8,942,172

As mentioned previously, net position of governmental activities increased by \$1,794,290 or 20 percent. The primary reasons contributing to the increase in cash balances are as follow:

- The General Fund balance increased by \$1,000,023.36 due to lower than expected expenditures
- The Capital Improvement Fund had lower than expected expenditures

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

Table 2 reflects the changes in net position in 2013 and 2012.

(Table 2)  
Changes in Net Position

	Governmental Activities 2013	Governmental Activities 2012
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$233,907	\$237,197
Patron Coin-Op	9,663	4,494
Sale of Surplus	10,112	12,872
Sale of Supplies	1,942	1,560
Total Program Receipts	255,623	256,122
General Receipts:		
General Property Taxes	2,977,713	2,971,372
Public Library Fund	4,507,095	4,405,470
Earnings on Investments	36,163	17,585
Restricted Gifts and Contributions	17,992	526,685
Unrestricted Contributions	12,591	17,056
Miscellaneous	48,406	42,865
Total General Receipts	7,599,960	7,981,034
Total Receipts	7,855,583	8,237,157
Disbursements:		
Public Service	2,183,958	2,214,195
Collection Development	1,683,192	1,656,985
Facilities Operations	799,421	754,328
Information Services	149,521	155,340
Business Administration	887,596	862,935
Capital Outlay	357,607	855,935
Total Disbursements	6,061,293	6,499,718
Increase (Decrease) in Net Position	1,794,290	1,737,439
Net Position, Beginning of Year	8,942,172	7,204,733
Net Position, End of Year	\$10,736,462	\$8,942,172

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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 Midpointe Library System is heavily dependent upon. As a result the Library continues 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 2013	Net Cost Of Services 2013	Total Cost Of Services 2012	Net Cost Of Services 2012
Public Service	\$2,183,958	\$1,928,334	\$2,214,195	(\$1,958,073)
Collection Development	1,683,192	1,683,192	1,656,985	(1,656,984)
Facilities Operations	799,421	799,421	754,328	(754,328)
Information Services	149,521	149,521	155,340	(155,341)
Business Administration	887,596	887,596	862,935	(862,935)
Capital Outlay	357,607	357,607	855,935	(855,935)
Total Expenses	<u>\$6,061,293</u>	<u>\$5,805,670</u>	<u>\$6,499,718</u>	<u>(\$6,243,596)</u>

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 2011 to 2013 due to major projects completed.

**The Government's Funds**

Total governmental funds had receipts of \$7,855,583 and disbursements of \$6,061,293. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased by \$1,000,023 as a result of lower than expected expenditures.

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**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 2013, the Government did not amend their appropriations. The Midpointe Library System appropriates at the fund level for each fund.

Actual disbursements were \$5,837,890. The Library's spending was below the budgeted amounts as demonstrated by the reported variances. The result is an increase in fund balance of \$1,000,023 for 2013.

**Contacting the Government's Financial Management**

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

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

*Statement of Net Position – Cash Basis  
December 31, 2013*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$10,736,462
<i>Total Assets</i>	<u><u>\$10,736,462</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$3,790,155
Other Purposes	654,273
Unrestricted	<u>6,292,034</u>
<i>Total Net Position</i>	<u><u>\$10,736,462</u></u>

See accompanying notes to the basic financial statements

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2013*

	Program Cash Receipts			Net(Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Library Services:				
Public Services and Programs	\$2,183,958	\$255,623		(\$1,928,335)
Collection Development and Processing	1,683,192			(1,683,192)
Support Services:				
Facilities Operation and Maintenance	799,421			(799,421)
Information Services	149,521			(149,521)
Business Administration	887,596			(887,596)
Capital Outlay	357,607			(357,607)
<i>Total Governmental Activities</i>	<u>\$6,061,293</u>	<u>\$255,623</u>	<u>\$0</u>	<u>(\$5,805,670)</u>
General Receipts:				
				\$2,641,996
				4,507,095
				335,717
				12,591
				17,992
				36,163
				48,406
<i>Total General Receipts</i>				<u>7,599,960</u>
				1,794,290
<i>Net Position Beginning of Year</i>				<u>8,942,172</u>
<i>Net Position End of Year</i>				<u>\$10,736,462</u>

See accompanying notes to the basic financial statements



**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY  
MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

*Statement of Assets and Fund Balances- Cash Basis  
Governmental Funds  
December 31, 2013*

	<u>General</u>	<u>Capital Fund</u>	<u>Other Governmental Funds</u>	<u>Rothwell Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$6,292,034	\$3,790,155	\$128,927	\$525,346	\$10,736,462
<i>Total Assets</i>	<u>\$6,292,034</u>	<u>\$3,790,155</u>	<u>\$128,927</u>	<u>\$525,346</u>	<u>\$10,736,462</u>
<b>Fund Balances</b>					
Restricted				525,346	525,346
Committed		\$3,360,662			3,360,662
Assigned	130,250	429,493	128,927		688,670
Unassigned (Deficit)	<u>6,161,784</u>				<u>6,161,784</u>
<i>Total Fund Balances</i>	<u>\$6,292,034</u>	<u>\$3,790,155</u>	<u>\$128,927</u>	<u>\$525,346</u>	<u>\$10,736,462</u>

See accompanying notes to the basic financial statements

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis  
Governmental Funds*

*For the Year Ended December 31, 2013*

	General	Capital Imp. Fund	Rothwell Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$2,977,713				\$2,977,713
Public Library	4,507,095				4,507,095
Patron Fines and Fees	255,623				255,623
Services Provided to Other Entities					0
Contributions, Gifts and Donations	14,548		9,896	6,139	30,583
Earnings on Investments	34,528		1,311	324	36,163
Miscellaneous	48,406				48,406
<i>Total Receipts</i>	<u>7,837,913</u>	<u>0</u>	<u>11,207</u>	<u>6,463</u>	<u>7,855,583</u>
<b>Disbursements</b>					
Current:					
Library Services:					
Public Services and Programs	2,182,506			1,452	2,183,958
Collection Development and Processing	1,683,192				1,683,192
Support Services:					
Facilities Operation and Maintenance	799,421				799,421
Information Services	149,521				149,521
Business Administration	884,041			3,555	887,596
Capital Outlay	139,211	218,396			357,607
<i>Total Disbursements</i>	<u>5,837,890</u>	<u>218,396</u>	<u>0</u>	<u>5,007</u>	<u>6,061,293</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,000,023</u>	<u>(218,396)</u>	<u>11,207</u>	<u>1,456</u>	<u>1,794,290</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In		1,000,000			1,000,000
Transfers Out	(1,000,000)				(1,000,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,000,023	781,604	11,207	1,456	1,794,290
<i>Fund Balances Beginning of Year</i>	<u>5,292,010</u>	<u>3,008,551</u>	<u>514,139</u>	<u>127,472</u>	<u>8,942,172</u>
<i>Fund Balances End of Year</i>	<u>\$6,292,034</u>	<u>\$3,790,155</u>	<u>\$525,346</u>	<u>\$128,927</u>	<u>\$10,736,462</u>

See accompanying notes to the basic financial statements

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$3,000,000	\$3,000,000	2,977,713	(\$22,287)
Public Library	4,385,600	4,385,600	4,507,095	121,495
Patron Fines and Fees	116,115	116,115	255,623	139,508
Contributions, Gifts and Donations	19,000	19,000	14,548	(4,452)
Earnings on Investments	12,500	12,500	34,528	22,028
Miscellaneous	45,000	45,000	48,406	3,406
<i>Total Receipts</i>	<u>7,578,215</u>	<u>7,578,215</u>	<u>7,837,913</u>	<u>259,698</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	2,543,148	2,543,148	2,182,506	360,642
Collection Development and Processing	2,094,339	2,094,339	1,683,192	411,147
Support Services:				
Facilities Operation and Maintenance	994,000	994,000	799,421	194,579
Information Services	171,680	171,680	149,521	22,159
Business Administration	1,063,591	1,063,591	884,041	179,550
Capital Outlay	115,000	115,000	139,211	(24,211)
<i>Total Disbursements</i>	<u>6,981,758</u>	<u>6,981,758</u>	<u>5,837,890</u>	<u>1,143,867</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>596,458</u>	<u>596,458</u>	<u>2,000,023</u>	<u>1,403,566</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(1,000,000)	(1,000,000)	(1,000,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(403,542)</u>	<u>(403,542)</u>	<u>1,000,023</u>	<u>1,403,566</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	5,056,493	5,056,493	5,158,519	102,026
Prior Year Encumbrances Appropriated	133,491	133,491	133,491	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$4,786,442</u>	<u>\$4,786,442</u>	<u>\$6,292,033</u>	<u>\$1,505,592</u>

See accompanying notes to the basic financial statements

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**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

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

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

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

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Fund Financial Statements

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

**B. Fund Accounting**

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library's funds are all classified as governmental.

Governmental Funds

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

General Fund - The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

**MIDPOINTE LIBRARY SYSTEM  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**C. Basis of Accounting**

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

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

**MIDPOINTE LIBRARY SYSTEM  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Cash Equivalents**

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

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

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

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

During 2013, investments were limited to nonnegotiable Certificate of Deposits and Treasuries. 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 2013 totaled \$16,551.03.

**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.



**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**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 Position**

Net position is 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 position restricted for other purposes includes 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 position is available.

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**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.

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund and all other significant funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as expenditures (budgetary basis) rather than as restricted, committed or assigned fund balance. The encumbrances outstanding at year end (budgetary basis) amounted to \$130,250 for the General Fund and \$429,493 for Capital Improvement Fund.

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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.

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 \$1,500 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."

**MIDPOINTE LIBRARY SYSTEM  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

At year end, the carrying amount of the Library's deposits was \$10,736,462 and the bank balance was \$7,841,228. 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, 2013, the Library had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Goldman Sacs Certificate of Deposit	250,000	10/26/2015
Discover Bank Certificate of Deposit	250,000	10/26/2015
American Express Certificate of Deposit	250,000	10/26/2015
Federal National Mortgage Association Treasury	249,875	11/15/2017
Everbank Certificate of Deposit	245,000	11/15/2016
Firstbank Puerto Rico Certificate of Deposit	245,000	6/16/2014
CitiBank Salt Lake City, Certificate of Deposit	245,000	5/08/2017
Doral Bank Certificate of Deposit	245,000	5/22/2015
GE Capital Retail Bank Certificate of Deposit	245,000	11/23/2018
Comenity Bank Jumbo Certificate of Deposit	200,000	11/28/2016
Fed Home Loan Mortgage Corp.	<u>250,000</u>	12/10/2018
<b>Total Portfolio</b>	<b>2,674,875</b>	

**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.

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real property located in the Library service district. Property tax revenue received during 2013 for real property taxes represents collections of 2011 taxes 2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of the appraised market value. 2013 real property taxes are collected in and intended to finance 2013.

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, 2013 was \$3.26 per \$1,000 of assessed value. The assessed values of real property upon which 2013 property tax receipts were based are as follows:

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**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.

**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 2013, the Library contracted with several companies for various types of insurance coverage as follows:

Commercial Property	\$15,422,596
General Liability	1,000,000
Commercial Umbrella	3,000,000
Inland Marine	8,334,422
Vehicle	500,000
Library Officials	3,000,000
Fidelity and Deposit	5,000
Professional	3,000,000

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.

**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.

**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.

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**9. DEFINED BENEFIT PENSION PLAN (Continued)**

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, 2013, 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 2013, member and employer contribution rates were consistent across all three plans.

The Library's 2013 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 and the Combined Plan was 1% for calendar year 2013. Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional and Combined plans for the years ended December 31, 2013, 2012, and 2011 were \$371,004, \$355,119, and \$333,117 respectively; the full amount has been contributed for 2013, 2012, and 2011.

**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 and the Combined Plan was 4% for calendar year 2013.

**MIDPOINTE LIBRARY SYSTEM  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**10. POST EMPLOYMENT BENEFITS (Continued)**

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

Summary of Assumptions:

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, 2011. 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 2013 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.

**MIDPOINTE LIBRARY SYSTEM  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**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:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Capital Fund</u>	<u>Rothwell</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted to			525,346		525,346
Committed to		3,360,662			3,360,662
Assigned to	130,250	429,493		128,927	688,670
Unassigned	<u>6,161,784</u>	_____	_____	_____	<u>6,161,784</u>
<b>Total Fund Balances</b>	<b>6,292,034</b>	<b>3,790,155</b>	<b>525,346</b>	<b>128,927</b>	<b>10,736,462</b>

**12. INTERFUND TRANSFERS**

The General Fund transferred \$1,000,000 to the Capital Improvement Fund for the purchase and maintenance of various items throughout the Library.



**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012, 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 2012 are as follows:

Net position of governmental activities increased by \$1,737,439 or 24 percent. The fund most affected by increase was the Capital Improvement Fund, which had an increase of \$818,258 in the fund balance due to a transfer from the General Fund. The General Fund had an increase from the previous year of \$400,022 due to lower than expected expenditures. A new fund was created, called the Rothwell Fund, which had receipts of \$514,139, which were proceeds from a bequest.

The Library's general receipts are primarily from the Public Library Fund (PLF) and a new property tax levy. In 2012, these two revenues represent 91% of the total cash received for governmental activities during the year. In 2012, PLF funding decreased by \$144,302.

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

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

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

**Basis of Accounting**

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

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(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 position and the statement of activities reflect how the Library did financially during 2012, using the cash basis of accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

**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.

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**The Government as a Whole**

Table 1 provides a summary of the Library's net position for 2012 compared to 2011 on a cash basis:

**(Table 1)  
Net Position**

<b>Assets</b>	<b>Governmental Activities</b>	
	2012	2011
Cash and Cash Equivalents	\$8,942,172	\$7,204,733
Total Assets	8,942,172	7,204,733
<b>Net Requirements</b>		
Restricted for:		
Capital Outlay	3,008,551	2,190,293
Other Purposes	641,610	122,451
Unrestricted	5,292,010	4,891,989
Total Net Position	\$8,942,172	\$7,204,733

As mentioned previously, net position of governmental activities increased by \$1,737,439 or 24 percent. The primary reasons contributing to the increase in cash balances are as follow:

- The General Fund balance increased by \$400,022 due to lower than expected expenditures.
- The Capital Improvement Fund receipted a larger than expected transfer from the General Fund.
- The receipt of a bequest in the amount of \$514,139.

Table 2 reflects the changes in net position in 2012 and 2011.

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

(Table 2)  
Changes in Net Position

	Governmental Activities 2012	Governmental Activities 2011
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$237,197	\$236,554
Patron Coin-Op	4,494	7,751
Sale of Surplus	12,872	7,222
Sale of Supplies	1,560	594
Total Program Receipts	256,122	252,122
General Receipts:		
General Property Taxes	2,971,372	3,108,970
Public Library Fund	4,405,470	4,549,772
Earnings on Investments	17,585	8,867
Restricted Gifts and Contributions	526,685	17,678
Unrestricted Contributions	17,056	24,453
Miscellaneous	42,865	43,704
Total General Receipts	7,981,034	7,753,443
Total Receipts	8,237,157	8,005,565
Disbursements:		
Public Service	2,214,195	2,104,199
Collection Development	1,656,985	1,260,227
Facilities Operations	754,328	786,733
Information Services	155,340	153,092
Business Administration	862,935	747,085
Capital Outlay	855,935	318,278
Total Disbursements	6,499,718	5,369,615
Increase (Decrease) in Net Position	1,737,439	2,635,950
Net Position, Beginning of Year	7,204,733	4,568,783
Net Position, End of Year	\$8,942,172	\$7,204,733

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.

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

General receipts represent 94 percent of the Library's total receipts, and of this amount, 91 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 upon which Midpointe Library System is heavily dependent. As a result, the Library continues to realign operations.

**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 2012	Net Cost Of Services 2012	Total Cost Of Services 2011	Net Cost Of Services 2011
Public Service	\$2,214,195	(\$1,958,073)	\$2,104,199	(\$1,852,078)
Collection Development	1,656,985	(1,656,984)	1,260,227	(1,260,227)
Facilities Operations	754,328	(754,328)	786,733	(786,733)
Information Services	155,340	(155,341)	153,092	(153,092)
Business Administration	862,935	(862,935)	747,085	(747,085)
Capital Outlay	855,935	(855,935)	318,278	(318,278)
Total Expenses	<u>\$6,499,718</u>	<u>(\$6,243,596)</u>	<u>\$5,369,614</u>	<u>(\$5,117,493)</u>

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 2011 to 2012 due to major projects completed.

**The Government's Funds**

Total governmental funds had receipts of \$8,237,157 and disbursements of \$6,499,718. The greatest change within governmental funds occurred within the Capital Improvement Fund. The fund balance of the Capital Improvement Fund increased by \$818,258 as a result of a transfer from the General Fund.

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**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 2012, the Library amended its General Fund budget one time. The Midpointe Library System appropriates at the function level for each fund.

Actual disbursements were \$5,817,522. The Library's spending was below the budgeted amounts as demonstrated by the reported variances. The result is an increase in fund balance of \$400,022 for 2012.

**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 financial forecast predicted a deficit for 2011 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 0.75 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, Midpointe Library System, 125 S. Broad Street, Middletown, OH 45044.

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

*Statement of Net Position – Cash Basis  
December 31, 2012*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$8,942,172
<i>Total Assets</i>	<u><u>8,942,172</u></u>
<b>Net Position</b>	
Restricted for:	
Capital projects	3,008,551
Other purposes	641,610
Unrestricted	<u>5,292,010</u>
<i>Total Net Position</i>	<u><u>\$8,942,172</u></u>

See accompanying notes to the basic financial statements

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2012*

	Program Cash Receipts			Net(Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Library Services:				
Public Services and Programs	\$2,214,195	\$256,122		(\$1,958,073)
Collection Development and Processing	1,656,985			(1,656,985)
Support Services:				
Facilities Operation and Maintenance	754,328			(754,328)
Information Services	155,340			(155,340)
Business Administration	862,935			(862,935)
Capital Outlay	855,935			(855,935)
<i>Total Governmental Activities</i>	<u>\$6,499,718</u>	<u>\$256,122</u>	<u>\$0</u>	<u>(\$6,243,596)</u>
General Receipts:				
				\$2,628,415
				4,405,470
				342,957
				30,407
				513,335
				17,585
				42,865
<i>Total General Receipts</i>				<u>7,981,034</u>
				1,737,439
				<u>7,204,733</u>
				<u>\$8,942,172</u>

See accompanying notes to the basic financial statements



**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

*Statement of Assets and Fund Balances- Cash Basis  
Governmental Funds  
December 31, 2012*

	<u>General</u>	<u>Capital Fund</u>	<u>Rothwell Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$5,292,010	\$3,008,551	\$514,139	\$127,472	\$8,942,171
<i>Total Assets</i>	<u>5,292,010</u>	<u>3,008,551</u>	<u>514,139</u>	<u>127,472</u>	<u>8,942,171</u>
<b>Fund Balances</b>					
Restricted			514,139		514,139
Committed		2,929,599			2,929,599
Assigned	133,491	78,952		127,472	339,915
Unassigned (Deficit)	<u>5,158,519</u>				<u>5,158,519</u>
<i>Total Fund Balances</i>	<u>\$5,292,010</u>	<u>\$3,008,551</u>	<u>\$514,139</u>	<u>\$127,472</u>	<u>\$8,942,172</u>

See accompanying notes to the basic financial statements

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2012*

	General	Capital Imp. Fund	Rothwell Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$2,628,416				\$2,628,416
Public Library	4,405,470				4,405,470
Intergovernmental	342,957				342,957
Patron Fines and Fees	256,122				256,122
Contributions, Gifts and Donations	25,162		513,335	5,245	543,741
Earnings on Investments	16,551		804	230	17,585
Miscellaneous	42,865				42,865
<b>Total Receipts</b>	<b>7,717,543</b>	<b>0</b>	<b>514,139</b>	<b>5,475</b>	<b>8,237,157</b>
<b>Disbursements</b>					
Current:					
Library Services:					
Public Services and Programs	2,214,195				2,214,195
Collection Development and Processing	1,656,985				1,656,985
Support Services:					
Facilities Operation and Maintenance	752,348	1,980			754,328
Information Services	155,341	0			155,341
Business Administration	851,232	11,249		454	862,935
Capital Outlay	187,421	668,513			855,935
<b>Total Disbursements</b>	<b>5,817,522</b>	<b>681,742</b>	<b>0</b>	<b>454</b>	<b>6,499,718</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>1,900,022</b>	<b>(681,742)</b>	<b>0</b>	<b>5,021</b>	<b>1,737,439</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In		1,500,000			1,500,000
Transfers Out	(1,500,000)				(1,500,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,500,000)</b>	<b>1,500,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>400,022</b>	<b>818,258</b>	<b>514,139</b>	<b>5,021</b>	<b>1,737,439</b>
<b>Fund Balances Beginning of Year</b>	<b>4,891,989</b>	<b>2,190,293</b>	<b>0</b>	<b>122,451</b>	<b>7,204,733</b>
<b>Fund Balances End of Year</b>	<b>\$5,292,011</b>	<b>\$3,008,551</b>	<b>\$514,139</b>	<b>\$127,472</b>	<b>\$8,942,172</b>

See accompanying notes to the basic financial statements

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2012*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$2,685,000	\$2,685,000	\$2,971,372	\$286,372
Public Library	4,260,215	4,260,215	4,405,470	145,255
Patron Fines and Fees	235,000	235,000	256,122	21,122
Contributions, Gifts and Donations	30,000	30,000	25,162	(4,838)
Earnings on Investments	15,000	15,000	16,551	1,551
Miscellaneous	52,250	52,250	42,865	(9,385)
<i>Total Receipts</i>	<u>7,277,465</u>	<u>7,277,465</u>	<u>7,717,543</u>	<u>440,078</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	2,492,231	2,492,231	2,214,195	278,036
Collection Development and Processing	1,900,470	1,900,470	1,656,986	243,484
Support Services:				
Facilities Operation and Maintenance	981,901	981,901	752,348	229,553
Information Services	174,646	174,646	155,341	19,306
Business Administration	1,093,962	1,093,962	851,232	242,730
Capital Outlay	245,000	245,000	187,421	57,579
<i>Total Disbursements</i>	<u>6,888,210</u>	<u>6,888,210</u>	<u>5,817,523</u>	<u>1,070,687</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>389,255</u>	<u>389,255</u>	<u>1,900,021</u>	<u>1,510,766</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(500,000)	(1,500,000)	(1,500,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(500,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(110,745)	(1,110,745)	400,021	1,510,766
<i>Unencumbered Fund Balance Beginning of Year</i>	3,353,049	3,353,049	4,724,512	1,371,463
Prior Year Encumbrances Appropriated	<u>167,477</u>	<u>167,477</u>	<u>167,477</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$3,409,781</u>	<u>\$2,409,781</u>	<u>\$5,292,010</u>	<u>\$2,882,229</u>

See accompanying notes to the basic financial statements

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**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

The Midpointe Library System, Butler County, Ohio (the Library), was organized as a district public library in 1913 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Middletown City Council. They serve four-year terms, 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 that of the Fiscal Officer.

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

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

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

Government-Wide Financial Statements

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

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Fund Financial Statements

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

**B. Fund Accounting**

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library's funds are all classified as governmental.

Governmental Funds

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

General Fund - The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

**C. Basis of Accounting**

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

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**D. Budgetary Process**

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

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

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

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.

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

During 2012, investments were limited to nonnegotiable Certificate of Deposits and U.S. Treasury Notes. These investments are recorded at cost. Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2012 totaled \$16,551.

**Restricted Assets**

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

**Inventory and Prepaid Items**

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

**Capital Assets**

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

**Fund Balance**

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

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

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



**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 Position**

Net position is 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 position 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 position is 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.

**3. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2012, the Library implemented Governmental Accounting Standard Board (GASB Statement 63), "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 in part identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No.34, renaming net assets as net position.

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**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 is 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.

**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.

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;

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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; and

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

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. At year end, the Library had \$1,500 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 \$8,942,172 and the bank balance was \$7,024,594. 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, 2012, the Library had the following investments:

	<u>Original Cost</u>	<u>Maturity</u>
G.E. Capital Bank Certificate of Deposit	\$250,000	6/03/2013
Goldman Sachs Certificate of Deposit	250,000	10/26/2015
Discover Bank Certificate of Deposit	250,000	10/26/2015
American Express Certificate of Deposit	250,000	10/26/2015
Federal National Mortgage Association Treasury Note	249,875	11/15/2017
Everbank Certificate of Deposit	245,000	11/15/2016
Discover Bank Certificate of Deposit	245,003	12/12/2013
Firstbank Puerto Rico Certificate of Deposit	<u>245,000</u>	6/16/2014
Total Portfolio	\$1,984,878	

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**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.

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real property located in the Library service district. Property tax revenue received during 2012 represents collections of 2011 taxes.

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of the appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semi-annually, the first payment is due in February, with the remainder payable in July.

Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate for all Library operations for the year ended December 31, 2012 was \$3.26 per \$1,000 of assessed value. The assessed values of real property upon which 2012 property tax receipts were based are as follows:

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.

**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 2012, the Library contracted with several companies for various types of insurance coverage as follows:

Type of Coverage	Coverage
Commercial Property	\$15,422,596
General Liability	1,000,000
Commercial Umbrella	3,000,000
Inland Marine	9,650,991
Vehicle	500,000
Library Officials	50,000
Fidelity and Deposit	5,000

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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

**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.

**9. DEFINED BENEFIT PENSION PLAN**

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPER 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, 2012, 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 2012, member and employer contribution rates were consistent across all three plans.

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**9. DEFINED BENEFIT PENSION PLAN (Continued)**

The Library's 2012 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 4 percent and 6.05 percent, respectively, for calendar year 2012. Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional and Combined plans for the years ended December 31, 2012, 2011, and 2010 were \$355,119, \$333,117, and \$299,899 respectively; the full amount has been contributed for 2012, 2011, and 2010.

**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 survivor 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 2012.

The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2012.

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%.

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**10. POST EMPLOYMENT BENEFITS (Continued)**

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, 2011. 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 2012 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.

**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:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Capital Fund</u>	<u>Rothwell</u>	<b>Other Governmental Funds</b>	<u>Total</u>
Restricted	\$	\$	\$514,139		\$514,139
Committed		2,929,599			2,929,599
Assigned	133,492	78,952		127,471	339,915
Unassigned	5,158,519				5,158,519
<b>Total Fund Balances</b>	<b>\$5,292,010</b>	<b>\$3,008,551</b>	<b>\$514,139</b>	<b>\$127,471</b>	<b>\$8,942,172</b>

**MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**12. INTERFUND TRANSFERS**

The General Fund transferred \$1,500,000 to the Capital Improvement Fund for the purchase and maintenance of various items throughout the Library.





# Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the MidPointe Library System, Butler County, (the Library) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated July 24, 2014 wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

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

Columbus, Ohio

July 24, 2014

MIDPOINTE LIBRARY SYSTEM  
BUTLER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Misclassification of fund balances	Yes	

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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  
SEPTEMBER 9, 2014