



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:

We have audited the accompanying cash basis 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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2017 and 2016, 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. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2018, 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.



Dave Yost
Auditor of State

Columbus, Ohio

September 10, 2018

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017, 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 2017 are as follows:

Net position of governmental activities increased by \$1,318,080 or 10.7 percent. The fund most affected by increase was the General Fund, which had a increase of \$2,007,067. The Capital Improvement Fund had a decrease for the year of \$554,642 due to higher than expected expenditures.

The Library's general receipts are primarily from the Public Library Fund (PLF) and a property tax levy. In 2017, these two revenues represent 90 percent of the total cash received for governmental activities during the year. In 2017, PLF funding increased by \$19,805.

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, 2017
(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 2017, 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, 2017
(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, the Capital Improvement Fund, and the Rothwell Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Government as a Whole

Table 1 provides a summary of the Library's net position for 2017 compared to 2016 on a cash basis:

**(Table 1)
Net Position**

	Governmental Activities	
	2017	2016
Assets		
Cash and Cash Equivalents	13,658,230	12,340,150
<i>Total Assets</i>	\$13,658,230	\$12,340,150
Net Assets		
Restricted for:		
Capital Outlay	\$4,097,729	\$4,652,371
Other Purposes	201,792	336,138
Unrestricted	9,358,709	7,351,641
<i>Total Net Position</i>	\$13,658,230	\$12,340,150

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

As mentioned previously, net assets of governmental activities increased by \$1,318,080 or 10.7 percent. The primary reasons contributing to the increase in cash balances are as follow:

- The General Fund did not transfer any dollars to the Capital Improvement Fund
- Less than anticipated expenditures in the General Fund

Table 2 reflects the changes in net assets in 2017 and 2016.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

	Governmental Activities 2017	Governmental Activities 2016
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$183,622	\$207,691
Patron Coin-Op	10,364	8,490
Sale of Surplus	10,594	6,255
Sale of Supplies	951	1,547
Passport Fees	21,291	3,545
Total Program Receipts	226,822	227,528
General Receipts:		
General Property Taxes and Intergovernmental	3,118,763	3,089,012
Public Library Fund	4,930,577	4,910,771
Earnings on Investments	146,093	93,521
Restricted Gifts and Contributions	51,020	2,250
Unrestricted Contributions	11,438	18,809
Miscellaneous	35,750	29,289
Total General Receipts	8,293,641	8,143,652
Total Receipts	8,520,463	8,371,180
Disbursements:		
Public Service	2,280,893	2,213,603
Collection Development	1,851,411	1,724,388
Facilities Operations	1,234,272	1,123,199
Information Services	166,940	164,805
Business Administration	1,098,110	1,077,147
Capital Outlay	570,757	2,420,883
Total Disbursements	7,202,383	8,724,025
Increase (Decrease) in Net Assets	1,318,080	(352,845)
Net Assets, Beginning of Year	12,340,150	12,692,995
Net Assets, End of Year	\$13,658,230	\$12,340,150

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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, 93 percent is from the Public Library Fund and a Property Tax Levy. Interest income, miscellaneous, and donations make up the balance of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources. The most significant factor related to receipts is the increase in Public Library funding which come from the State's income tax revenue in which Midpointe Library System is heavily dependent upon.

Governmental Activities

If you look at the Statement of Activities on page 12, 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 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Public Service	\$2,280,893	\$2,054,071	\$2,213,603	\$1,986,075
Collection				
Development	1,851,411	1,851,411	1,724,388	1,724,388
Facilities Operations	1,234,272	1,234,272	1,123,199	1,123,199
Information Services	166,940	166,940	164,805	164,805
Business Administration	1,098,110	1,098,110	1,077,147	1,077,147
Capital Outlay	570,757	570,757	2,420,883	2,420,883
Total Expenses	\$7,202,383	\$6,975,561	\$8,724,025	\$8,496,497

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

The Government's Funds

Total governmental funds had receipts of \$8,520,464 and disbursements of \$7,202,383. The greatest change within governmental funds occurred within the General Fund. The fund balance of the Capital Improvement Fund decreased by \$554,642 as a result of large repairs/maintenance projects.

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 2017, the Library amended their appropriations four times. The Midpointe Library System appropriates at the function level for each fund.

Actual disbursements were \$6,504,617. The Library's spending was below the budgeted amounts as demonstrated by the reported variances. The result is an increase in fund balance of \$2,007,067 for 2017.

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.

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**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

***Statement of Net Position – Cash Basis
December 31, 2017***

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$13,658,230
<i>Total Assets</i>	<u><u>\$13,658,230</u></u>
Net Position	
Restricted for:	
Capital Projects	\$4,097,729
Other Purposes	201,792
Unrestricted	<u>9,358,709</u>
<i>Total Net Position</i>	<u><u>\$13,658,230</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, 2017***

		Program Cash Receipts		Net (Disbursements) Receipts and Changes
	Cash	Charges	Operating	in Net Assets
	<u>Disbursements</u>	<u>for Services and Sales</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Current:				
Library Services:				
Public Services and Programs	\$2,280,893	\$226,822		(2,054,071)
Collection Development and Processing	1,851,411			(1,851,411)
Support Services:				
Facilities Operation and Maintenance	1,234,272			(1,234,272)
Information Services	166,940			(166,940)
Business Administration	1,098,110			(1,098,110)
Capital Outlay	570,757			(570,757)
 <i>Total Governmental Activities</i>	 <u>\$7,202,383</u>	 <u>\$226,822</u>	 <u>\$0</u>	 <u>(\$6,975,561)</u>
		General Receipts:		
		Property Taxes Levied for General Purposes		\$2,766,492
		Public Library Fund		4,930,577
		Intergovernmental		352,271
		Unrestricted Gifts and Contributions		11,438
		Restricted Contributions		51,020
		Earnings on Investments		146,093
		Miscellaneous		35,750
		<i>Total General Receipts</i>		<u>8,293,641</u>
		Change in Net Assets		1,318,080
		<i>Net Assets Beginning of Year</i>		<u>12,340,150</u>
		<i>Net Assets End of Year</i>		<u>\$13,658,230</u>

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**Statement of Assets and Fund Balances – Cash Basis
Governmental Funds
December 31, 2017**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Rothwell Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$9,358,708	\$4,097,729	\$94,109	\$107,684	\$13,658,230
<i>Total Assets</i>	<u>\$9,358,708</u>	<u>\$4,097,729</u>	<u>\$94,109</u>	<u>\$107,684</u>	<u>\$13,658,230</u>
Fund Balances					
Restricted			94,109		94,109
Committed		\$4,097,729			4,097,729
Assigned	366,265			107,684	473,949
Unassigned (Deficit)	<u>8,992,443</u>				<u>8,992,443</u>
<i>Total Fund Balances</i>	<u>\$9,358,708</u>	<u>\$4,097,729</u>	<u>\$94,109</u>	<u>\$107,684</u>	<u>\$13,658,230</u>

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis
Governmental Funds
For the Year Ended December 31, 2017**

	General	Capital Imp. Fund	Rothwell Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$2,766,492				\$2,766,492
Public Library	4,930,577				4,930,577
Intergovernmental	352,271				352,271
Patron Fines and Fees	226,822				226,822
Contributions, Gifts and Donations	55,845			6,613	62,458
Earnings on Investments	143,927		1,248	918	146,093
Miscellaneous	35,750				35,750
<i>Total Receipts</i>	<u>8,511,684</u>	<u>0</u>	<u>1,248</u>	<u>7,531</u>	<u>8,520,463</u>
Disbursements					
Current:					
Library Services:					
Public Services and Programs	2,278,318			2,575	2,280,893
Collection Development and Processing	1,851,411				1,851,411
Support Services:					
Facilities Operation and Maintenance	1,104,272		130,000		1,234,272
Information Services	166,940				166,940
Business Administration	1,087,560			10,550	1,098,110
Capital Outlay	16,116	554,641			570,757
<i>Total Disbursements</i>	<u>6,504,617</u>	<u>554,641</u>	<u>130,000</u>	<u>13,125</u>	<u>7,202,383</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,007,067</u>	<u>-554,641</u>	<u>-</u> <u>128,752</u>	<u>-5,594</u>	<u>1,318,080</u>
<i>Net Change in Fund Balances</i>	2,007,067	-554,641	-128,752	-5,594	1,318,080
<i>Fund Balances Beginning of Year</i>	<u>7,351,641</u>	<u>4,652,370</u>	<u>222,861</u>	<u>113,277</u>	<u>12,340,149</u>
<i>Fund Balances End of Year</i>	<u>\$9,358,708</u>	<u>\$4,097,729</u>	<u>\$94,109</u>	<u>\$107,683</u>	<u>\$13,658,229</u>

See accompanying note to the basic financial statements

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

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

For the Year Ended December 31, 2017

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Receipts				
Property and Other Local Taxes	\$3,000,000	\$3,000,000	3,118,763	\$118,763
Public Library	5,148,923	5,148,923	4,930,577	(218,346)
Patron Fines and Fees	27,511	27,511	226,822	199,311
Contributions, Gifts and Donations	6,773	6,773	55,845	49,072
Earnings on Investments	17,457	17,457	143,927	126,470
Miscellaneous	4,336	4,336	35,750	31,414
<i>Total Receipts</i>	8,205,000	8,205,000	8,511,684	306,684
Disbursements				
Current:				
Library Services:				
Public Services and Programs	2,495,025	2,495,025	2,278,318	216,707
Collection Development and Processing	1,996,020	1,996,020	1,851,411	144,609
Support Services:				
Facilities Operation and Maintenance	1,211,869	1,211,869	1,104,272	107,597
Information Services	213,859	213,859	166,940	46,919
Business Administration	1,191,869	1,191,869	1,087,560	104,309
Capital Outlay	20,000	20,000	16,116	3,884
<i>Total Disbursements</i>	7,128,642	7,128,642	6,504,617	624,025
<i>Excess of Receipts Over (Under) Disbursements</i>	1,066,358	1,076,358	2,007,067	930,709
Other Financing Sources (Uses)				
Transfers Out	(500,000)	(500,000)	0	500,000
<i>Total Other Financing Sources (Uses)</i>	(500,000)	(500,000)	0	500,000
<i>Net Change in Fund Balance</i>	566,358	576,358	2,007,067	1,430,709
<i>Unencumbered Fund Balance Beginning of Year</i>	7,224,123	7,224,123	7,224,123	0
Prior Year Encumbrances Appropriated	127,518	127,518	127,518	0
<i>Unencumbered Fund Balance End of Year</i>	\$7,917,999	\$7,927,999	\$9,358,708	\$1,430,709

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, 2017**

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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, 2017
(Continued)**

NOTE 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 budgetary statements reflect the amounts of estimated resources at the time final appropriation, if needed, was enacted by the Trustees.

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

E. Cash and Cash Equivalents

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

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

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 2017, investments were limited to non-negotiable Certificate of Deposits and U.S. Treasury Notes. These investments are recorded at cost.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2017 totaled \$143,927.

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.

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.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Accumulated Leave

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

G. Employer Contributions to Cost-Sharing Pension Plans

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

H. Net Assets

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

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

I. Interfund Transactions

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund and all other significant funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as expenditures (budgetary basis) rather than as restricted, committed or assigned fund balance. The encumbrances outstanding at year end (budgetary basis) amounted to \$366,265 for the General Fund and \$373,264 for Capital Improvement Fund.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. At year end, the Library had \$1,750 in un-deposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

At year end, the carrying amount of the Library's deposits was \$13,658,230 and the bank balance was \$13,746,127. 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. At December 31, 2017, \$388,354 of the Library's bank balance of \$13,746,127 was exposed to custodial credit risk. Certain timing issues related to fluctuations in depository balances contributed to the uncollateralized balance. These insufficiencies were corrected the next business day.

As of December 31, 2017, the Library had the following investments:

<u>Description</u>	<u>Original Cost</u>	<u>Maturity</u>
GE Capital Retail Bank Certificate of Deposit	245,000	11/23/2018
Barclay's Bank Delaware	249,839	04/16/2018
American Express Bank	245,000	10/23/2018
Federal Home Loan Bank	44,587	12/17/2019
Federal Home Loan Bank	7,297	10/24/2019
Goldman Sachs, New York	245,000	11/05/2018
Compass Bank, Birmingham	100,000	05/30/2018
Wells Fargo Bank	245,000	06/17/2019
Federal Home Loan	124,969	05/25/2021
Ally Bank, Midvale Utah	99,964	02/19/2019
JP Morgan Chase Bank	245,052	08/21/2021
State Bank & TR Defiance OH	245,000	09/27/2019
Community Bank Beaumont TX	85,026	01/16/2020
Discover Bank, Greenwood DE	75,072	07/07/2021
HSBC Bank USA	130,118	07/08/2020

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Federal Home Loan Mortgage	124,935	07/19/2021
Federal Farm Credit Bank	174,219	05/03/2021
Federal Home Loan Mortgage Corp.	225,167	07/14/2020
Federal Home Loan Mortgage Corp.	174,125	11/25/2020
State Bank of India Chicago IL	95,023	07/16/2019
Federal Home Loan Bank	249,625	12/09/2020
Whitney Bank, Gulfport, MS	245,000	01/25/2019
Federal National Mortgage Assoc.	124,876	11/25/2019
Oriental Bank	245,000	03/29/2019
Federal National Mortgage Assoc.	200,208	04/30/2018
Comenity Bank	200,000	04/22/2019
Stearns Bank, St. Cloud, MN	248,812	10/26/2018
Blackridgebank, Fargo, ND	250,000	05/17/2022
Capital One NA, McLean, VA	245,058	05/24/2019
Capital One Bank, Glen Allen	245,000	06/03/2019
First Bank & Trust Savings Bank	245,000	06/05/2018
Ally Bank, Midvale, UT	145,000	06/10/2019
Marlin Business Bank	245,000	06/10/2019
Bar Harbor Bank & Trust	245,000	12/17/2018
Civista Bank, Sandusky	245,052	03/29/2018
Paragon National Bank	245,000	04/12/2018
Northpointe Bank	245,000	01/22/2018
Morgan Stanley Bank	245,000	07/17/2018
Discover Bank, Greenwood, DE	175,000	10/25/2021
Crossfirst Bank	245,000	10/21/2021
Morgan Stanley PVT Bank	245,000	12/09/2019
Federal Farm Credit	309,527	05/16/2022
United Bank Vernon Rockville	244,773	05/27/2018
MS Bank	245,000	12/09/2019
Money Market Accounts	193,001	Daily
Total Portfolio	\$8,951,325	

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

NOTE 5 – PROPERTY TAXES

Property taxes include amounts levied against all real property located in the Library service district. Property tax revenue received during 2017 represents collections of 2016 taxes.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 5 – PROPERTY TAXES (Continued)

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of the appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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, 2017 was \$3.26 per \$1,000 of assessed value. The assessed values of real property upon which 2017 property tax receipts were based are as follows:

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

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

NOTE 6 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017, the Library contracted with several companies for various types of insurance coverage as follows:

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

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

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

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 7 – PUBLIC LIBRARY FUND

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN

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

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, 2017, 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 2017, member and employer contribution rates were consistent across all three plans.

The Library's 2017 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan and the Combined Plan was 1% for calendar year 2017. 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, 2017, 2016, and 2015 were \$410,331, \$399,686, and \$390,593 respectively; the full amount has been contributed for 2017, 2016, and 2015.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 9 – POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Ohio Public Employees Retirement System (OPERS) provides other post-employment benefits (OPEB).

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and for members in the Combined Plan was 2.0% for calendar year 2014. Effective January 1, 2017, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 10 – FUND BALANCES

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Capital Fund</u>	<u>Rothwell Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted			94,109		94,109
Committed		4,097,729			4,097,729
Assigned 479,948	366,265				107,683
Unassigned	<u>8,992,443</u>	_____	_____	_____	<u>8,992,443</u>
Total Fund Balance	9,358,708	4,097,729	94,109	107,683	13,658,229

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016, 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 2016 are as follows:

Net position of governmental activities decreased by \$352,845 or 2.8 percent. The fund most affected by decrease was the Capital Improvement Fund, which had a decrease of \$234,654. The General Fund had an increase for the year of \$202,839 due to lower than expected expenditures.

The Library's general receipts are primarily from the Public Library Fund (PLF) and a property tax levy. In 2016, these two revenues represent 91 percent of the total cash received for governmental activities during the year. In 2016, PLF funding decreased by \$11,737.

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.

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.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Reporting the Government as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2016, 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, the Capital Improvement Fund, and the Rothwell Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

The Government as a Whole

Table 1 provides a summary of the Library's net position for 2016 compared to 2015 on a cash basis:

(Table 1)
Net Position

	Governmental Activities	
	2016	2015
Assets		
Cash and Cash Equivalents	12,340,150	12,692,994
<i>Total Assets</i>	\$12,340,150	\$12,692,994
Net Assets		
Restricted for:		
Capital Outlay	\$4,652,371	\$4,887,024
Other Purposes	336,138	657,168
Unrestricted	7,351,641	7,148,802
<i>Total Net Position</i>	\$12,340,150	\$12,692,994

As mentioned previously, net assets of governmental activities decreased by \$352,845 or 2.8 percent. The primary reasons contributing to the decrease in cash balances are as follow:

- The Capital Improvement Fund balance decreased due to a library construction project
- The Rothwell Fund decreased due to a new library construction project

Table 2 reflects the changes in net assets in 2016 and 2015.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

	Governmental Activities 2016	Governmental Activities 2015
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$207,691	\$225,133
Patron Coin-Op	8,490	10,539
Sale of Surplus	6,255	7,410
Sale of Supplies	1,547	2,248
Passport Fees	3,545	0
Total Program Receipts	227,528	245,330
General Receipts:		
General Property Taxes and Intergovernmental	3,089,012	2,966,625
Public Library Fund	4,910,771	4,922,508
Earnings on Investments	93,521	67,607
Restricted Gifts and Contributions	2,250	5,500
Unrestricted Contributions	18,809	7,734
Miscellaneous	29,289	30,466
Total General Receipts	8,143,652	8,000,440
Total Receipts	8,371,180	8,245,770
Disbursements:		
Public Service	2,213,603	2,334,696
Collection Development	1,724,388	1,708,619
Facilities Operations	1,123,199	1,024,725
Information Services	164,805	160,691
Business Administration	1,077,147	851,407
Capital Outlay	2,420,883	443,519
Total Disbursements	8,724,025	6,523,657
Increase (Decrease) in Net Assets	(352,845)	1,722,113
Net Assets, Beginning of Year	12,692,995	10,970,881
Net Assets, End of Year	12,340,150	\$12,692,994

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 94 percent is from the Public Library Fund and a Property Tax Levy. Interest income, miscellaneous, and donations make up the balance of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources. The most significant factor related to receipts is the increase in Public Library funding which come from the State's income tax revenue in which Midpointe Library System is heavily dependent upon.

Governmental Activities

If you look at the Statement of Activities on page 38, 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 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Public Service	\$2,213,603	\$1,986,075	\$2,334,696	\$2,089,665
Collection Development	1,724,388	1,724,388	1,708,619	1,708,619
Facilities Operations	1,123,199	1,123,199	1,024,725	1,024,725
Information Services	164,805	164,805	160,691	160,691
Business Administration	1,077,147	1,077,147	851,407	851,407
Capital Outlay	2,420,883	2,420,883	443,519	443,519
Total Expenses	\$8,724,025	\$8,496,497	\$6,523,657	\$6,278,326

The dependence upon the Public Library Fund and a property tax levy is apparent, as over 91 percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$8,371,180 and disbursements of \$8,724,025. The greatest change within governmental funds occurred within the Rothwell Fund. The fund balance of the Rothwell Fund decreased by \$302,870 as a result of a new library construction project.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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 2016, the Library amended their appropriations four times. The Midpointe Library System appropriates at the function level for each fund.

Actual disbursements were \$6,163,659. The Library's spending was below the budgeted amounts as demonstrated by the reported variances. The result is an increase in fund balance of \$202,839 for 2016.

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, 2016*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$12,340,150
<i>Total Assets</i>	<u><u>\$12,340,150</u></u>
Net Position	
Restricted for:	
Capital Projects	\$4,652,371
Other Purposes	336,137
Unrestricted	<u>7,351,642</u>
<i>Total Net Position</i>	<u><u>\$12,340,150</u></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, 2016*

	General Fund	Capital Fund	Rothwell Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$7,351,642	\$4,652,371	\$220,860	\$113,277	\$12,340,150
<i>Total Assets</i>	<u>\$7,351,642</u>	<u>\$4,652,371</u>	<u>\$220,860</u>	<u>\$113,277</u>	<u>\$12,340,150</u>
Fund Balances					
Restricted			222,860		222,860
Committed		\$4,652,371			4,652,371
Assigned	127,519			113,277	240,796
Unassigned (Deficit)	7,224,123				7,224,123
<i>Total Fund Balances</i>	<u>\$7,351,642</u>	<u>\$4,652,371</u>	<u>\$222,860</u>	<u>\$113,277</u>	<u>\$12,340,150</u>

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis
Governmental Funds
For the Year Ended December 31, 2016*

	General	Capital Imp. Fund	Rothwell Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$2,735,175				\$2,735,175
Public Library	4,910,771				4,910,771
Intergovernmental	353,837				353,837
Patron Fines and Fees	227,528				227,528
Contributions, Gifts and Donations	17,629			3,430	21,059
Earnings on Investments	92,268		931	322	93,521
Miscellaneous	29,289				29,289
<i>Total Receipts</i>	<u>8,366,497</u>	<u>0</u>	<u>931</u>	<u>3,752</u>	<u>8,371,180</u>
Disbursements					
Current:					
Library Services:					
Public Services and Programs	2,201,240		2,423	9,940	2,213,603
Collection Development and Processing	1,695,917		28,471		1,724,388
Support Services:					
Facilities Operation and Maintenance	1,004,245		118,954		1,123,199
Information Services	164,805				164,805
Business Administration	1,062,968		2,207	11,972	1,077,147
Capital Outlay	34,484	2,234,654	151,745		2,420,883
<i>Total Disbursements</i>	<u>6,163,659</u>	<u>2,234,654</u>	<u>303,800</u>	<u>21,912</u>	<u>8,724,025</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,202,838</u>	<u>(2,234,654)</u>	<u>(302,869)</u>	<u>(18,160)</u>	<u>(352,845)</u>
Other Financing Sources (Uses)					
Transfers In		2,000,000			2,000,000
Transfers Out	(2,000,000)				(2,000,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>2,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	202,838	(234,654)	(302,869)	(18,160)	352,845
<i>Fund Balances Beginning of Year</i>	<u>7,148,802</u>	<u>4,887,024</u>	<u>525,730</u>	<u>131,437</u>	<u>12,692,993</u>
<i>Fund Balances End of Year</i>	<u>\$7,351,640</u>	<u>\$4,652,370</u>	<u>\$222,861</u>	<u>\$113,277</u>	<u>\$12,340,148</u>

See accompanying note to the basic financial statements

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

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

For the Year Ended December 31, 2016

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Receipts				
Property and Other Local Taxes	\$3,000,000	\$3,000,000	3,089,012	\$89,012
Public Library	4,400,000	4,400,000	4,910,771	510,771
Patron Fines and Fees	272,998	272,998	227,528	(45,470)
Contributions, Gifts and Donations	21,152	21,152	17,629	(3,523)
Earnings on Investments	110,708	110,707	92,268	(18,439)
Miscellaneous	35,142	35,142	29,289	(5,853)
<i>Total Receipts</i>	<u>7,840,000</u>	<u>7,839,999</u>	<u>8,366,497</u>	<u>526,498</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	2,460,758	2,460,758	2,201,240	259,518
Collection Development and Processing	1,888,719	1,888,719	1,695,917	192,802
Support Services:				
Facilities Operation and Maintenance	1,121,120	1,121,120	1,004,245	116,875
Information Services	117,168	117,168	164,805	(47,637)
Business Administration	1,204,835	1,204,835	1,062,968	141,867
Capital Outlay	45,000	45,000	34,484	10,516
<i>Total Disbursements</i>	<u>6,837,600</u>	<u>6,837,600</u>	<u>6,163,659</u>	<u>673,941</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>987,900</u>	<u>1,002,399</u>	<u>2,202,838</u>	<u>1,200,439</u>
Other Financing Sources (Uses)				
Transfers Out	(1,000,000)	(2,000,000)	(2,000,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(12,100)	(997,601)	202,838	1,200,439
<i>Unencumbered Fund Balance Beginning of Year</i>	7,044,410	7,044,410	7,044,410	0
Prior Year Encumbrances Appropriated	104,392	104,392	104,392	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$7,136,702</u>	<u>\$6,151,201</u>	<u>\$7,351,640</u>	<u>\$1,200,439</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, 2016**

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of building a library in the City of Monroe.

C. Basis of Accounting

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

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

D. Budgetary Process

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

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

E. Cash and Cash Equivalents

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

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

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 2016, investments were limited to non-negotiable Certificate of Deposits and U.S. Treasury Notes. These investments are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2016 totaled \$92,268.

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.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

F. Accumulated Leave

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

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Employer Contributions to Cost-Sharing Pension Plans

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

H. Net Assets

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

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

I. Interfund Transactions

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund and all other significant funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as expenditures (budgetary basis) rather than as restricted, committed or assigned fund balance. The encumbrances outstanding at year end (budgetary basis) amounted to \$127,518 for the General Fund and \$446,142 for Capital Improvement Fund.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

The State Treasurer's investment pool (STAR Ohio)

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

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

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 \$1,750 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
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

At year end, the carrying amount of the Library's deposits was \$12,340,150 and the bank balance was \$12,402,918. 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, 2016, the Library had the following investments:

<u>Description</u>	<u>Original Cost</u>	<u>Maturity</u>
CitiBank Salt Lake City, Certificate of Deposit	245,000	05/08/2017
GE Capital Retail Bank Certificate of Deposit	245,000	11/23/2018
Barclay's Bank Delaware	249,838	04/16/2018
American Express Bank	245,000	10/23/2018
Investors Bank Short Hills	245,000	03/27/2017
Federal Home Loan Bank	44,586	12/17/2019
Federal Home Loan Bank	7,296	10/24/2019
HSBC Bank USA	114,000	09/16/2020
Capital One, McLean VA	245,000	10/30/2017
Capital One, Glen Allen	245,000	10/30/2017
Goldman Sachs, New York	245,000	11/05/2018
Compass Bank, Birmingham	100,000	05/30/2018
Santander BK Natl Association	245,000	08/17/2017
Federal Home Loan Bank	124,968	04/26/2019
Wells Fargo Bank	245,000	06/17/2019
Federal Home Loan	124,968	05/25/2021
Ally Bank	99,964	
Apple Bank	245,000	02/24/2017
Bank Hope Los Angeles	245,000	08/25/2017
JP Morgan Chase Bank	245,066	08/21/2021
Southside Bank Tyler	245,000	06/26/2017
Sterling Bank Poplar Bluff	245,000	03/09/2017
State Bank & TR Defiance OH	245,000	09/27/2019
Community Bank Beaumont TX	85,037	01/16/2020
Discover Bank, Greenwood DE	75,089	07/07/2021
HSBC Bank USA	130,157	07/08/2020
JP Morgan Chase Bank	52,927	09/16/2021
Federal Home Loan Mortgage	124,934	07/19/2021
Federal Farm Credit Bank	174,219	05/03/2021
Federal Home Loan Mortgage Corp.	225,222	07/14/2020
Federal Home Loan Mortgage Corp.	174,125	11/25/2020
State Bank of India Chicago IL	95,534	07/16/2019
Federal Home Loan Bank	249,625	12/09/2020
Money Market Accounts investment	442,130	Daily
Total Portfolio	\$6,369,685	

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 4 - 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.

NOTE 5 – PROPERTY TAXES

Property taxes include amounts levied against all real property located in the Library service district. Property tax revenue received during 2016 represents collections of 2015 taxes. 2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of the appraised market value. 2016 real property taxes are collected in and intended to finance 2016.

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, 2016 was \$3.26 per \$1,000 of assessed value. The assessed values of real property upon which 2016 property tax receipts were based are as follows:

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

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

NOTE 6 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, 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.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 6 – RISK MANAGEMENT (Continued)

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 pays all claims.

NOTE 7 – PUBLIC LIBRARY FUND

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN

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

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, 2016, 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 2016, member and employer contribution rates were consistent across all three plans.

The Library's 2016 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan and the Combined Plan was 1% for calendar year 2016. Employer contribution rates are actuarially determined.

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

The Library's required contributions for pension obligations to the Traditional and Combined plans for the years ended December 31, 2016, 2015, and 2014 were \$399,686, \$390,593, and \$378,318 respectively; the full amount has been contributed for 2016, 2015, and 2014.

NOTE 9 – POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Ohio Public Employees Retirement System (OPERS) provides other post-employment benefits (OPEB).

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and for members in the Combined Plan was 2.0% for calendar year 2014. Effective January 1, 2016, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

**MIDPOINTE LIBRARY SYSTEM
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE 10 – FUND BALANCES

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Capital Fund</u>	<u>Rothwell</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted			222,860		222,860
Committed		4,652,371			4,652,371
Assigned 240,796	127,519				113,277
Unassigned	<u>7,224,123</u>	_____	_____	_____	<u>7,224,123</u>
Total Fund Balance	7,351,642	4,652,371	222,860	113,277	12,340,150

NOTE 11 – INTERFUND TRANSFERS

The General Fund transferred \$2,000,000 to the Capital Improvement Fund for the purchase and maintenance of property throughout the Library.

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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 governmental activities, each major fund, and the aggregate remaining fund information of the Midpointe Library System, Butler County, (the Library) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 10, 2018.

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 Library's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 report 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

September 10, 2018



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, 27 2018**