
**DAYTON METRO LIBRARY
MONTGOMERY COUNTY, OHIO**

Basic Financial Statements – Cash Basis
December 31, 2011
(with Independent Auditors' Report)

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Dayton Metro Library
215 East Third Street
Dayton, Ohio 45402

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Dayton Metro Library (the Library), as of and for the year ended December 31, 2011, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. As described in Note 13, during the year ended December 31, 2011, the Library adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Dayton Metro Library, as of December 31, 2011, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2012, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Library's basic financial statements. The tables included within the management's discussion and analysis (net cash assets, changes in net cash assets and governmental activities – total and net cost of services) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. These tables were subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the tables are fairly stated in all material respects in relation to the financial statements as a whole. Other than the aforementioned procedures applied to the tables, we have applied no procedures to any other information included within management's discussion and analysis, and accordingly, we do not express an opinion or provide any assurance on it.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 29, 2012

Dayton Metro Library
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

The management's discussion and analysis of the Dayton Metro Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2011 within the limitations of the Library's cash basis of accounting. The intent of the management's discussion and analysis is to examine the Library's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- Net assets of governmental activities increased \$4,573,620, or 18.0%. Expenditures for the year decreased \$ 686,883 or 2.6% from 2010, and receipts from governmental activities decreased \$55,753 or 0.2% from 2010. Although, the economic difficulty continued into 2011 affecting the State of Ohio, support from the State of Ohio through the Public Library Fund was \$488,350 or 3.4% more than 2010.
- The Library's general receipts are primarily made up of property and other local taxes (\$11,623,962) and other government grants-in-aid, such as the State's Public Library Fund (PLF) (\$17,603,989). These receipts represent respectively 38.4% and 58.2% of the total cash received for governmental activities during the year.
- At the end of the fiscal year, the unassigned fund balance in the General fund was \$ 15,160,378. This amount represents 85.1% of total fund balance and 59.3% of 2011 General fund expenditures (\$25,553,340).
- Program specific receipts in the form of charges for services and sales, and operating grants and contributions represent \$759,689 or 2.5% of total receipts. This revenue is primarily comprised of charges for maintaining public service programs.
- Due to the stagnant state of the economy and its impact on the financial markets, interest rates remained at historically low levels in 2011 thus having a dramatic negative effect on investment receipts. Investment receipts decreased from \$180,228 in 2010 to \$159,600 an 11.4% decrease, Comparatively, investment receipts in 2008 totaled \$598,174. In 2011, the Library did invest certain inactive funds in CDARS (Certificate of Deposit Account Registry Service) for public funds that produced a higher yield (1.17%) than savings or money market demand accounts (.11%).

Using This Annual Financial Report

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.

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the Library as a financial whole or as an entire operating entity. The statements provide a detailed look at the Library's specific financial activities and conditions on a cash basis of accounting.

Dayton Metro Library
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Financial Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash 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 receipts (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 limitations resulting from the use of the cash basis of accounting.

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and cash equivalents 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 activity 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 financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well, such as the Library's property tax base, the condition of the Library's capital assets, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

Dayton Metro Library
Management's Discussion and Analysis
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The statement of net assets and the statement of activities are comprised of governmental activities only: Governmental activities – The Library’s services, support services and capital outlay are reported here. Property and other local taxes and government grants-in-aid finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library’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 funds of the Library are split into two categories: governmental and fiduciary.

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Library’s programs. The Library has one fiduciary fund, an agency fund for a flexible spending benefit account.

The Library as a Whole

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

(Table 1)
 Net Assets - Cash Basis

	Governmental Activities		
	2011	2010	Increase (Decrease)
Assets			
Cash and Cash Equivalents	\$ 30,005,038	\$ 25,431,418	\$ 4,573,620
Total Assets	<u>\$ 30,005,038</u>	<u>\$ 25,431,418</u>	<u>4,573,620</u>
Net Assets:			
Restricted	\$ 416,684	\$ 247,044	\$ 169,640
Unrestricted	29,588,354	25,184,374	4,403,980
Total Net Assets	<u>\$ 30,005,038</u>	<u>\$ 25,431,418</u>	<u>\$ 4,573,620</u>

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As mentioned previously, net assets of governmental activities increased \$4,573,620 or 18.0 percent during 2011. Expenditures decreased by 2.6% and receipts decreased by 0.2%. The Building and Repair funds are presently earmarked to assist in financing infrastructure improvements that the Library has determined are warranted as outlined in the Library's Strategic and Facilities plans.

Table 2 reflects the changes in net assets on a cash basis in 2011 and 2010 for governmental activities.

(Table 2)
Changes in Net Assets

	Governmental	
	Activities	
Receipts:	2011	2010
Program Receipts:		
Charges for Services and Sales	\$ 721,404	\$ 764,951
Operating Grants and Contributions	38,285	42,992
Total Program Receipts	<u>759,689</u>	<u>807,943</u>
General Receipts:		
Property and Other Local Taxes	11,623,962	11,772,448
Unrestricted Gifts and Contributions	21,169	33,385
Sale of Capital Assets	24,736	1,948
Grants and Entitlements Not Restricted to Specific Programs	17,603,989	17,464,464
Interest	159,600	180,228
Miscellaneous	41,362	29,844
Total General Receipts	<u>29,474,818</u>	<u>29,482,317</u>
Total Receipts	<u>30,234,507</u>	<u>30,290,260</u>
 Disbursements:		
Library Services:		
Public Service and Programs	15,458,871	16,447,613
Collection Development and Processing	5,229,533	5,227,184
Support Services:		
Facilities Operation and Maintenance	537,157	509,288
Information Services Support	942,984	904,385
Business Administration	2,900,677	2,840,098
Capital Outlay	591,665	419,202
Total Disbursements	<u>25,660,887</u>	<u>26,347,770</u>
 Increase (Decrease) in Net Assets	4,573,620	3,942,490
 Net Assets, January 1	25,431,418	21,488,928
Net Assets, December 31	<u>\$30,005,038</u>	<u>\$25,431,418</u>

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General receipts represent 97.5% of the Government's total receipts, and of this amount, approximately 38.4% are property and other local taxes. Program receipts represent only 2.5 percent of total receipts and are primarily comprised of patron fees, grants, contributions and services provided to other entities. Earnings on investments account for 0.5% of the general receipts. State grants and entitlements comprise 59.7% of the Library's general receipts.

Disbursements for library services consist of expenses for public service and program and collection development and processing. Library service costs for 2011 were 80.6% of total disbursements. Disbursement for support services consist of expenses for facilities operations and maintenance, information services support, and business administration.

Capital Outlay expenditures of \$591,665 represented 2.3% of expenditures and were primarily for the following:

- The IT department purchased 200 HP 6200 G840 Desktop Computers for \$ \$106,067.
- A reading room at the Huber Heights branch was incurred during 2011, for \$14,756 and was outfitted with study pods and other furniture for \$34,066.
- East Branch replaced the blacktop and apron in the parking area for \$40,575.
- Installation of a Cisco Phone System Upgrade for \$111,222. Partial payment for 2011 was \$78,188.
- Security Cameras were installed at 8 branches for \$85,313 and ILS Installation to replace the current ILS system for \$297,624. Partial payment for 2011 was \$71,548.

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 major program disbursements for governmental activities are for public service and programs and collection development and processing, which account for 60.2% and 20.4% of all governmental disbursements, respectively. Business administration, facilities operations, and information services support represents 17.1% of all government spending. The next two columns of the statement entitled Program Cash Receipts identify amounts paid by individuals and organizations that are directly charged for services or 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 and grants, entitlements, interest earnings and other miscellaneous receipts. 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 of services for 2011 and 2010 is presented in Table 3.

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(Table 3)

Governmental Activities

	2011		2010	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Library Services:				
Public Service and Programs	\$15,458,871	(\$14,810,952)	\$16,447,613	(\$15,752,809)
Collection Development and Processing	5,229,533	(5,214,680)	5,227,184	(5,210,217)
Support Services:				
Facilities Operation and Maintenance	537,157	(537,157)	509,288	(509,288)
Information Services Support	942,984	(846,067)	904,385	(808,213)
Business Administration	2,900,677	(2,900,677)	2,840,098	(2,840,098)
Capital Outlay	591,665	(591,665)	419,202	(419,202)
Total	\$25,660,887	(\$24,901,198)	\$26,347,770	(\$25,539,827)

Library Service expenditures decreased by \$986,393 or 4.6% versus 2010 primarily attributable to decreased expenditures in Public Services and Programs.

Library Service salaries and wages decreased \$838,277 or 7.0% over 2010. Benefit costs, mainly driven by health insurance premiums and pension costs, decreased by \$203,080 or 4.8% over 2010. Library material expenditures increased by \$165,591 or 5.1% over 2010.

Capital Outlay increased \$172,463 as only critical capital expenditures were addressed in 2011.

The dependence upon property tax receipts and unrestricted grants and entitlements is apparent as over 97.0% of governmental activities are supported through these general receipts.

The Library's Funds

As illustrated on the Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Governmental Funds on page 14, total governmental funds had receipts of \$30,209,771 and disbursements of \$ 25,660,887. The General Fund is the chief operating fund of the Library. The fund balance of the General Fund increased \$7,547,693. \$3,000,000 of the increase was due to a transfer from the Building and Repair Fund to the Sustainability Fund, which is part of the General Fund.

As illustrated on the Statement of Assets and Fund Balances – Governmental Funds on page 13, at the end of the current fiscal year, unassigned fund balance of the General Fund was \$15,160,378, while the total General Fund balance reached \$17,819,442. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 59.3% of total General expenditures, while total fund balance represents 69.7% of that same amount.

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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.

As illustrated on the Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – General Fund on page 15, final receipts were budgeted at \$28,968,616 while actual receipts were \$30,097,853. The difference between final budgeted receipts and actual receipts was \$1,129,237.

Final disbursements were budgeted at \$ 27,888,115 while actual disbursements were \$26,548,856. The Library kept spending below budgeted amounts as demonstrated by the reported variances. In addition, the Library made \$45,516 in transfers from the general fund to other governmental funds.

Capital Assets

The Library does not report capital assets on its financial statements. The Library does keep track of its capital assets and infrastructure independently. The Library uses a separate software package to accomplish this task. In 2011, the inventory information was internally audited by the Finance Department and corrections, deletions, and additions were recorded.

Debt

The Library has no debt.

Current Issues

With few exceptions Ohio's public libraries depend on the State of Ohio for the major part of their funding. Funds are generated and distributed by the Public Library Fund (PLF). The Public Library Fund, as outlined in the Ohio Revised Code, represents 1.97% of the State's total general fund tax receipts. While the diversity of state revenue taxes was intended to provide future growth to the Public Library Fund, current economic conditions has actually resulted in an increase in state tax collections, and therefore, a corresponding increase in financial support from the State. State funding represented only 49.3% of library funding in 2011 as opposed to 47.6% of funding in 2010. As recently as 1999, 87.6% of total library funding was through the State of Ohio.

The Library is partially shielded from this decline in state support by the 1.75 mil operating levy approved by voters in 2009. This support, however, is expected to also drop due to the triennial reassessment of property values in Montgomery County in 2011, effective for tax collections in 2012 through 2014.

The Dayton Metro Library anticipates further erosion to its two primary sources of funding due to legislative intent and as a consequence of the economic recession. In response, the Board of Trustees and administration have taken a number of steps to adjust fund allocations, curtail services and reduce general fund expenditures.

The State of Ohio 2012-2013 biennial budget as passed by the legislature in HB 153, established that the Public Library Fund (PLF) would be reduced to 95% of funds distributed during the State of Ohio's 2011 fiscal year that began July 1, 2010 and ended June 30, 2011. Beginning with state revenue disbursements as distributed from the General Revenue Fund (GRF) through the PLF in August 2012, the Dayton Metro

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Library began experiencing a reduction in its monthly distributions. However, it should be noted that due to stronger year over prior year tax receipts during the first six months of 2011, the distribution of PLF funds for calendar year 2011 actually exceeded receipts in 2010 by \$488,350. Calendar year 2012 receipts from the PLF are expected drop by \$843,857 compared to calendar year 2011 due to the reduction formulas specified in HB 153. Revenues for the second year of the biennium, fiscal year 2013, are expected to be nearly identical to the first year of the state budget due to the reduction language in HB 153.

Fiscal year 2014 revenues are expected to be flat due to a recalibration of the PLF formula. The PLF had originally been established to allocate 2.22% of total GRF receipts for funding Ohio's public libraries. That percentage was reduced to 1.97% in fiscal year 2010 as a part of the 2010-2011 biennial budgets.

As described above, that allocation formula was replaced temporarily by current budget language. HB 153 returns library funding to a formula based on a percent of state tax revenues in fiscal year 2014, however, the percent of total GRF to be used in that formula will be determined by whatever percent actual fiscal year 2013 distributions comprise of anticipated fiscal year 2014 state tax revenues. Thus, public library funding as a percent of total state tax revenues will be allowed to float, presumably downward to match fiscal year 2013 distributions. Fiscal year 2015 would then be allowed to rise or fall depending on actual state tax revenues.

Losses in local property tax receipts are also anticipated for calendar year 2012. Triennial property valuation adjustments for Montgomery County completed in 2011 lowered the value of properties in the Dayton Metro Library taxing district by nearly 8%, leading to a corresponding drop in property tax revenues. The Montgomery County Auditor has estimated \$12,028,560 in revenues from property taxes when state homestead exemption and tax rollback reimbursements are included. In 2011 the Dayton Metro Library received \$13,330,286 from these sources. Additional property tax related reductions are expected due to the acceleration of the reduction and eventual elimination of reimbursements for tangible personal property taxes.

Board action in anticipation of losses in revenue has been significant. As already summarized in this management discussion, funds were transferred from the Building and Repair Fund in December 2011 into a newly created Sustainability Fund. Additional funds were transferred from the General Fund to the Sustainability Fund at the same time to build up sufficient reserves to be drawn upon to supplement revenues in future years. The funds in the Sustainability Fund may be drawn upon for expenditures in the General Fund in years when expenditures are anticipated to exceed revenues. The Library anticipates that it will begin drawing from the Sustainability Fund as a part of its calendar year 2013 budget.

In a further response to losses in revenue from economic contraction and legislative action, the Board began a series of budgetary adjustments to eliminate positions and curtail spending in other areas. Since July of 2010, the Board has eliminated or left vacant 35 FTE positions. A 25% reduction in spending for library materials were initially made in the calendar year 2009 budget and have been sustained for a third year. Board approved allocations, will mean total General Fund disbursements will remain below 2009 expenditures.

A significant capital building initiative is currently underway and the Board of Trustees is contemplating the placement of a bond issue before votes in November 2012. If successful, expenditures for some durable goods and related services will be expended from the Building and Repair Fund resulting in some relief to the General Fund for items such as new furnishings and equipment. The proposed facilities plan also calls for the reduction in the total number of branches and provides for the construction of up to seven new branches to replace 10 inefficient and costly branches. Other branches will be expanded and

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renovated to improve service and increase efficiency. While it is not anticipated to impact the 2012 general fund budget, the operating budgets for 2013-2018 will likely benefit from the construction and renovation of library facilities.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the money it receives, spends and invests. Questions concerning any of the information in this report or requests for additional information should be directed to Mr. Timothy Kambitsch, Executive Director, Dayton Metro Library, 215 East Third Street, Dayton, Ohio 45402-2103. We also offer information regarding the Dayton Metro Library on our web site, www.daytonmetrolibrary.org.

Dayton Metro Library
Montgomery County
Statement of Net Assets - Cash Basis
December 31, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 29,588,354
Restricted Assets:	
Cash and Cash Equivalents	416,684
<i>Total Assets</i>	\$ 30,005,038
 Net Assets	
Restricted for:	
Nonspendable Endowment	\$ 247,296
Trust	169,388
Unrestricted	29,588,354
<i>Total Net Assets</i>	\$ 30,005,038

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Library Services:				
Public Service and Programs	\$ 15,458,871	\$ 622,947	\$ 24,972	\$ (14,810,952)
Collection Development and Processing	5,229,533	1,540	13,313	(5,214,680)
Support Services:				
Facilities Operation and Maintenance	537,157	-	-	(537,157)
Information Services Support	942,984	96,917	-	(846,067)
Business Administration	2,900,677	-	-	(2,900,677)
Capital Outlay	591,665	-	-	(591,665)
<i>Total Governmental Activities</i>	<u>25,660,887</u>	<u>721,404</u>	<u>38,285</u>	<u>(24,901,198)</u>
General Receipts				
				11,623,962
Property Taxes Levied for General Purposes				21,169
Unrestricted Gifts and Contributions				17,603,989
Grants and Entitlements not Restricted to Specific Programs				24,736
Sale of Capital Assets				159,600
Earnings on Investment				41,362
Miscellaneous				<u>29,474,818</u>
<i>Total General Receipts</i>				<u>29,474,818</u>
Change in Net Assets				4,573,620
<i>Net Assets Beginning of Year</i>				<u>25,431,418</u>
<i>Net Assets End of Year</i>				<u>\$ 30,005,038</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2011

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 17,819,442	\$ 11,478,048	\$ 290,864	\$ 29,588,354
Restricted Assets: Cash and Cash Equivalents	-	-	416,684	416,684
<i>Total Assets</i>	<u>\$ 17,819,442</u>	<u>\$ 11,478,048</u>	<u>\$ 707,548</u>	<u>\$ 30,005,038</u>
Fund Balances				
Nonspendable:				
Reserved for Endowment	\$ -	\$ -	\$ 247,296	\$ 247,296
Restricted for:				
Trust	-	-	169,388	169,388
Committed to:				
Computer Co-op	-	-	290,864	290,864
Facility improvements	-	11,478,048	-	11,478,048
Assigned to:				
Future Purchase Commitments	995,516	-	-	995,516
Long-term Accrued Benefits	1,663,548	-	-	1,663,548
Unassigned	15,160,378	-	-	15,160,378
<i>Total Fund Balances</i>	<u>\$ 17,819,442</u>	<u>\$ 11,478,048</u>	<u>\$ 707,548</u>	<u>\$ 30,005,038</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2011

	General	Building and Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 11,623,962	\$ -	\$ -	\$ 11,623,962
Intergovernmental	17,603,989	-	-	17,603,989
Patron Fines and Fees	622,947	-	-	622,947
Services Provided to Other Entities	98,457	-	-	98,457
Contributions, Gifts and Donations	59,454	-	-	59,454
Earnings on Investments	49,921	108,890	789	159,600
Miscellaneous	41,362	-	-	41,362
<i>Total Receipts</i>	<u>30,100,092</u>	<u>108,890</u>	<u>789</u>	<u>30,209,771</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	15,458,871	-	-	15,458,871
Collection Development and Processing	5,229,533	-	-	5,229,533
Support Services:				
Facilities Operation and Maintenance	537,157	-	-	537,157
Information Services	942,984	-	-	942,984
Business Administration	2,864,678	-	35,999	2,900,677
Capital Outlay	520,117	-	71,548	591,665
<i>Total Disbursements</i>	<u>25,553,340</u>	<u>-</u>	<u>107,547</u>	<u>25,660,887</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,546,752</u>	<u>108,890</u>	<u>(106,758)</u>	<u>4,548,884</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	24,736	-	-	24,736
Transfers In	3,000,000	-	23,795	3,023,795
Transfers Out	(23,795)	(3,000,000)	-	(3,023,795)
<i>Total Other Financing Sources (Uses)</i>	<u>3,000,941</u>	<u>(3,000,000)</u>	<u>23,795</u>	<u>24,736</u>
<i>Net Change in Fund Balances</i>	7,547,693	(2,891,110)	(82,963)	4,573,620
<i>Fund Balances Beginning of Year, Restated</i>	<u>10,271,749</u>	<u>14,369,158</u>	<u>790,511</u>	<u>25,431,418</u>
<i>Fund Balances End of Year</i>	<u>\$ 17,819,442</u>	<u>\$ 11,478,048</u>	<u>\$ 707,548</u>	<u>\$ 30,005,038</u>

See accompanying notes to the basic financial statements

Dayton Metro Library

Montgomery County

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)*

General Fund

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 11,385,372	\$ 11,385,372	\$ 11,623,962	\$ 238,590
Other Government Grants-In-Aid	17,259,998	16,618,204	17,603,989	985,785
Patron Fines and Fees	660,000	660,000	622,947	(37,053)
Services Provided to Other Entities	100,000	100,000	98,457	(1,543)
Contributions, Gifts and Donations	75,000	75,000	59,454	(15,546)
Earnings on Investments	68,000	47,200	47,682	482
Miscellaneous	62,040	82,840	41,362	(41,478)
<i>Total Receipts</i>	<u>29,610,410</u>	<u>28,968,616</u>	<u>30,097,853</u>	<u>1,129,237</u>
Disbursements				
Current:				
Library Services:				
Salaries and Benefits	18,282,977	18,282,976	17,612,659	670,317
Supplies	472,324	472,324	383,534	88,790
Purchased and Contract Services	4,158,286	4,158,286	3,964,839	193,447
Library Materials and Information	4,111,022	4,111,022	3,918,134	192,888
Other	904,028	124,028	109,107	14,921
Capital Outlay	939,479	739,479	560,583	178,896
<i>Total Disbursements</i>	<u>28,868,116</u>	<u>27,888,115</u>	<u>26,548,856</u>	<u>1,339,259</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>742,294</u>	<u>1,080,501</u>	<u>3,548,997</u>	<u>2,468,496</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	20,000	20,000	24,736	4,736
Transfers In	900,000	900,000	3,000,000	2,100,000
Transfers Out	-	(45,516)	(45,516)	-
<i>Total Other Financing Sources (Uses)</i>	<u>920,000</u>	<u>874,484</u>	<u>2,979,220</u>	<u>2,104,736</u>
<i>Net Change in Fund Balance</i>	<u>1,662,294</u>	<u>1,954,985</u>	<u>6,528,217</u>	<u>4,573,232</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>1,088,115</u>	<u>1,088,115</u>	<u>1,088,115</u>	<u>-</u>
<i>Fund Balance Beginning of 2011</i>	<u>7,544,047</u>	<u>7,544,047</u>	<u>7,544,047</u>	<u>-</u>
<i>Fund Balance End of 2011</i>	<u>\$ 10,294,456</u>	<u>\$ 10,587,147</u>	<u>\$ 15,160,379</u>	<u>\$ 4,573,232</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2011

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 19,779
<i>Total Assets</i>	<u>\$ 19,779</u>
Net Assets	<u>\$ 19,779</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 1 – Description of the Library and Reporting Entity

The Dayton Metro Library is organized as a county library under the laws of the State of Ohio. The Library has its own Board of Trustees consisting of seven members: four of whom are appointed by the Montgomery County Commissioners and three of whom are appointed by the Montgomery County Common Pleas Court Judges. Appointments are for seven-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 and financial accountability being the responsibility of the Executive Director/Fiscal Officer.

The Library is fiscally independent of Montgomery County, although Montgomery County serves in a ministerial capacity as the taxing authority 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, Montgomery County 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 Montgomery County.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the Dayton Metro Library is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The economic resources received or held by the Friends of the Library are not significant to the Library. 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 Dayton Metro Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts and other non-exchange transactions.

The statement of net assets presents the cash and cash equivalent 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 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. Fiduciary funds are reported by type.

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 divided into two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are financed primarily from taxes, 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.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies (continued)

Building and Repair Fund - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for building projects, including the improvements to the Library and construction of new and future facilities.

The other governmental funds of the Library are the computer fund, special revenue fund, trust fund and endowment fund.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Library's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Library's agency fund accounts for reimbursements of eligible expenses under the health or dependent care flexible spending account.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Under this 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 revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

D. Budgetary Process

All funds, (except agency funds), are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and major category of the object code 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 cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts 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 appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies (continued)

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

E. Cash and Cash Equivalents

Library records identify the purchase 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."

All investments of the cash management pool are presented on the financial statements as cash equivalents. 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, respectively.

During 2011, investments were in STAR Ohio, and in Certificate of Deposit Account Registry (CDARS). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011. CDARS allows the library to purchase certificates of deposit in excess of the FDIC limit with a participating bank. The bank "redeposits" the excess amount above the FDIC limit into other participating institutions. Each bank accepts less than the FDIC limit so that all deposits have FDIC coverage and thus are fully insured.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund, Building and Repair Fund, and Other Governmental Funds during 2011 amounted to \$49,921, \$108,890 and \$789, respectively.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$416,684 which is restricted by contributors.

G. 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.

H. Collections

The collections (materials including books, periodicals, audio visual, etc.) are not recognized as assets in the statements of financial position. Purchases of collection items are expensed and recorded as a decrease in unrestricted net assets in the year in which the items are acquired (of which approximately \$3.4 million and

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

\$3.3 million were acquired in 2011 and 2010, respectively). Contributed collection items are not reflected in the financial statements. Proceeds from the sale of collections or insurance recoveries are reflected as revenue resulting in an increase in unrestricted net assets.

I. Fund Balance

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

Nonspendable - The Library classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

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

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

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of 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 included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies (continued)

J. 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 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. 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.

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.

L. 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. The Library uses Interfund transfers to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

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 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is funds that were budgeted elsewhere and outstanding year end encumbrances, which are treated as disbursements (budgetary basis) rather than as a component of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$ 995,516 for the general fund and funds budgeted elsewhere totaled \$23,960.

Note 4 – Deposits and Investments

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active 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

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 4 – Deposits and Investments (continued)

Market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of 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 held by the Library can be deposited or invested in the following securities:

1. 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;
2. 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;
3. 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certificates of Deposits (CDs) properly insured through the FDIC or suitable collateralization, including the Certificate of Deposit Account Registry Services (CDARS). Effective March 4, 2006, the Ohio General Assembly created Ohio Revised Code 135.144 permitting the library to use the Certificate of Deposit Account Registry Services (CDARS). If the library purchases certificates of deposit for more than the FDIC limit, with a bank participating in CDARS, the bank "redeposits" the excess amounts with other participating institutions. Each bank accepts less than the FDIC limit so all deposits have FDIC coverage.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 4 – Deposits and Investments (continued)

9. Commercial Paper and bankers acceptances if Ohio Revised Code training requirements have been met.

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.

At year end, the Library had \$3,041 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$ 26,449,480 of the Library’s bank balance of \$ 30,445,407 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Library’s name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Interest Rate Risk: Interest rate risk arises because the fair value of investment changes as interest rates change. The Library’s investment policy addresses interest rate risk by requiring that 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 that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and that an investment be purchased with the expectation that it will be held to maturity.

At year end the Library had investment in STAR Ohio at a fair value of \$500. STAR Ohio has a maturity of less than one year and is not subject to interest rate penalty on maturity issues.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard and Poor’s. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Library’s investment policy limits investments to those authorized by State statute.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 4 – Deposits and Investments (continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M) (2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

The Library places no limit on the amount it may invest in any one issuer; however, investments are limited to low risk securities with the expectation of earning market rate of return.

Note 5 – Public Library Fund

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF is allocated to each county based on the county’s prior intangibles tax of PLF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives. During 2011, the Library received \$14,920,290 from this funding source.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the taxing district of the Library within Montgomery County. Real property tax receipts received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010 on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually.

Public utility property tax receipts received in 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2010, were levied after October 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 7 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Westfield Insurance	Building & Contents	\$ 52,896,364
Westfield Insurance	EDP Property	2,423,618
Westfield Insurance	Books & Audio Visual	21,682,952
Westfield Insurance	Rare Books	701,425
Westfield Insurance	Third Party Property	5,000/Person 50,000/Occurance
Westfield Insurance	Extra Expense (blanket)	3,000,000
Cincinnati Insurance	Public Officials	5,000,000
Westfield Insurance	Boiler & Machinery	25,000,000
Westfield Insurance	Automobile	1,000,000
Westfield Insurance	General Liability, (each occurrence)	1,000,000
Westfield Insurance	General Liability, (agg)	2,000,000

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

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

Note 8 - Defined Benefit Pension Plan

Plan Description - 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 or (800) 222-7377.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 8 - Defined Benefit Pension Plan (continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2011, members in state and local classifications contributed 10.0 percent of covered payroll.

The Library's contribution rate for 2011 was 14.0 percent of covered payroll. For the period January 1, through December 31, 2011, a portion of the Library's contribution equal to 4.0 percent of covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14 percent.

The Library's required contributions for pension obligations to the traditional, combined, and member-directed plans for the years ended December 31, 2011, 2010, 2009 were \$1,316,496, \$1,179,407, and \$1,117,751 respectively. The full amount has been contributed for 2011, 2010, 2009.

Note 9 – Employee Benefits – Deferred Compensation Plan

Employees of the Library may elect to participate in the Ohio Public Employees Deferred Compensation Plan. Under this program, employees elect to defer a portion of their pay. The deferred pay and any income earned on it are not subject to federal and state income taxation until actually received by the employee. Participation in the plan is optional. The deferred compensation is not available to employees until termination of employment, retirement, death or unforeseen emergency.

Note 10 – Post-employment Benefits

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment 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 healthcare coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide health care benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

Disclosures for the health care plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 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.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 10 – Post-employment Benefits (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, local government employers contributed 14.0 percent of covered payroll. OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401 (h). Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding post-employment healthcare benefits. For the period January 1, through December 31, 2011, a portion of the Library's contribution equal to 4.0 percent of covered payroll was allocated to fund the post-employment healthcare plan.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library's contributions allocated to fund post-employment healthcare benefits for the years ended December 31, 2011, 2010, and 2009 were \$526,598, \$674,843, and \$819,022 respectively; 100 percent has been contributed for 2011, 2010, 2009.

Note 11 – Operating Leases

The Library leases buildings and other equipment under non-cancelable leases. The Library disbursed \$238,780 to pay lease costs for the year ended December 31, 2011. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2012	221,848
2013	221,687
2014	224,249
2015	226,756
2016	29,485
Total	<u>\$ 924,025</u>

Office Lease – The Library leases three spaces at various locations to provide additional services. A summary of the lease agreements is as follows:

Huber Heights – For fiscal year 2011, lease expense amounted to \$150,713. The current lease agreement expires on December 31, 2015, with two renewal options for terms of ten years through December 31, 2035.

Moraine – The Library leases space to provide Outreach Services. The lease expense for 2011 amounted to \$77,881. The current lease agreement expires on April 30, 2016.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 11 – Operating Leases (continued)

Northmont – The City of Englewood leases a building to the Library for which the Library is responsible for occupancy costs such as electric, gas and maintenance. Because the agreement does not include a base rent and occupancy costs can vary, those costs are not included in the above table of future lease payments. Occupancy costs are approximately \$35,000 annually.

Parking Spaces – The Library leases twenty-seven (27) parking spaces for an annual cost of \$6,000. The lease is for a term of one year and, in the absence of notification from either party, automatically renews for an unlimited number of successive one-year terms. Due to the infinite nature of the lease, the lease payments are not included in the above table of future lease payments.

Copier Leases – The Library leases three copiers at an annual cost of \$4,186. All three copier leases expire in fiscal year 2012.

Note 12 – Interfund Transfers

The general fund transferred \$23,795 to the Computer fund for the purchase of a future generation of Library Information Systems. During 2011, the Library, through resolution by the Board of Trustees, transferred \$3 million from the Building and Repair Fund to the General Fund to cover any future revenue shortfall. The Building and Repair capital project fund is funded from surplus funds of the General fund and any use of the Building and Repair funds for purposes other than those specified by Board Resolution have to be approved by the Board prior to the transfer or incurring the expense.

Note 13 – Changes in Accounting Principles

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

The implementation of GASB 54 had the following effect on fund balances at December 31, 2010, as previously reported:

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance				
at December 31, 2010	\$ 8,632,162	\$ 14,369,158	\$ 2,430,098	\$ 25,431,418
Change in Fund Structure	1,639,587	-	(1,639,587)	-
Adjusted Fund Balance				
at December 31, 2010	\$ 10,271,749	\$ 14,369,158	\$ 790,511	\$ 25,431,418

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 14 – Encumbrances:

Below is a schedule of encumbrances at year-ended December 31, 2011:

<u>Fund</u>	<u>Year End Encumbrances</u>
General Fund	\$ 995,517
Building & Repair Fund	<u>235,776</u>
Total	<u>1,231,293</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Dayton Metro Library
215 E. Third Street
Dayton, Ohio 45402

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dayton Metro Library (the Library) as of and for the year ended December 31, 2011, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 29, 2012, wherein we noted the Library reported on the cash basis of accounting and the Library adopted the provisions of Governmental Accounting Standards Board Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Library is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

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Compliance and Other Matters

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

This report is intended solely for the information and use of management, Board of Trustees and others within the Library, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 29, 2012