

**DAYTON METRO LIBRARY
MONTGOMERY COUNTY, OHIO**

Basic Financial Statements – Modified Cash Basis
December 31, 2015
with Independent Auditors' Report



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Dayton Metro Library, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Dayton Metro Library is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

June 7, 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Dayton Metro Library (the Library), as of and for the year ended December 31, 2015, 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 the preparation and fair presentation of these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Dayton Metro Library as of December 31, 2015, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the basis of accounting described in Note 2.

Emphasis of Matter*Basis of Accounting*

We draw attention to Note 2 of the accompanying financial statements which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2016 on our consideration of the Library's internal control over financial reporting and on 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, and not to provide an opinion 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
April 15, 2016

Dayton Metro Library
Montgomery County
Statement of Net Position - Modified Cash Basis
December 31, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 26,735,608
Cash and Cash Equivalents in Segregated Accounts	6,402,701
Restricted Assets:	
Cash and Cash Equivalents	530,616
Investment in Segregated Accounts	160,273,304
<i>Total Assets</i>	\$ 193,942,229
 Net Position	
Restricted for:	
Construction Projects	\$ 150,745,518
Debt Service	6,900,446
Endowment - Nonspendable	6,700
Endowment - Spendable	243,807
Trust	171,588
Unrestricted	35,874,170
<i>Total Net Position</i>	\$ 193,942,229

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Statement of Activities - Modified Cash Basis
For the Year Ending December 31, 2015

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$ 16,343,227	\$ 401,679	\$ 144,397	\$ (15,797,151)
Collection Development and Processing	5,482,996	49	8,534	(5,474,413)
Support Services:				
Facilities Operation and Maintenance	482,054	-	-	(482,054)
Information Services Support	1,100,577	134,411	-	(966,166)
Business Administration	4,454,749	-	-	(4,454,749)
Capital Outlay				
Construction Project	24,400,870	-	115,723	(24,285,147)
Other	713,546	-	-	(713,546)
Debt Service:				
Principal Retirement	5,200,000	-	-	(5,200,000)
Interest and Fiscal Charges	6,426,131	-	-	(6,426,131)
<i>Total Governmental Activities</i>	<u>64,604,150</u>	<u>536,139</u>	<u>268,654</u>	<u>(63,799,357)</u>
General Receipts				
Property Taxes Levied for General Purposes				10,261,783
Property Taxes Levied for Debt Service				9,148,442
Unrestricted Gifts and Contributions				13,345
Grants and Entitlements not Restricted to Specific Programs				18,665,459
Earnings on Investment				796,351
Miscellaneous				94,768
<i>Total General Receipts</i>				<u>38,980,148</u>
Change in Net Position				(24,819,209)
<i>Net Position Beginning of Year</i>				<u>218,761,438</u>
<i>Net Position End of Year</i>				<u>\$ 193,942,229</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
Statement of Assets and Fund Balances- Modified Cash Basis
Governmental Funds
December 31, 2015

	General	Debt Service	Building & Repair Fund	Construction Taxable	Construction Exempt	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$24,550,841	\$ -	\$1,909,821	\$ -	\$ -	\$274,946	\$26,735,608
Cash and Cash Equivalents in Segregated Accounts	-	6,850	-	-	6,395,851	-	6,402,701
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	-	-	-	-	-	422,095	422,095
Cash and Cash Equivalents - Escrow Accounts	-	-	-	-	108,521	-	108,521
Investments in Segregated Accounts	-	6,893,596	9,138,562	52,471,700	91,769,446	-	160,273,304
Total Assets	\$24,550,841	\$6,900,446	\$11,048,383	\$52,471,700	\$98,273,818	\$697,041	\$193,942,229
Fund Balances							
Nonspendable:							
Endowment - Principal	-	-	-	-	-	\$6,700	\$6,700
Restricted for:							
Endowment - Spendable	-	-	-	-	-	243,807	\$243,807
Trust	-	-	-	-	-	171,588	171,588
Debt Service - Segregated Investments	-	6,900,446	-	-	-	-	6,900,446
Construction Project	-	-	-	52,471,700	98,273,818	-	150,745,518
Committed to:							
Computer Co-op	-	-	-	-	-	274,946	274,946
Facility Improvements	1,084,481	-	11,048,383	-	-	-	12,132,864
Assigned to:							
Future Purchase Commitments	1,483,011	-	-	-	-	-	1,483,011
Future Employee Compensation	1,480,207	-	-	-	-	-	1,480,207
Unassigned	20,503,142	-	-	-	-	-	20,503,142
Total Fund Balances	\$24,550,841	\$6,900,446	\$11,048,383	\$52,471,700	\$98,273,818	\$697,041	\$193,942,229

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County

*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ending December 31, 2015*

	General	Debt Service	Building and Repair Fund	Construction Taxable	Construction Exempt	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 10,261,783	\$ 9,148,442	\$ -	\$ -	\$ -	\$ -	\$ 19,410,225
Intergovernmental	17,298,179	1,367,280	-	-	-	-	18,665,459
Patron Fines and Fees	401,679	-	-	-	-	-	401,679
Services Provided to Other Entities	134,460	-	-	-	-	-	134,460
Contributions, Gifts and Donations	281,999	-	-	-	-	-	281,999
Earnings on Investments	124,380	43,747	88,892	235,147	300,385	3,800	796,351
Miscellaneous	67,571	-	634	-	-	-	68,205
<i>Total Receipts</i>	28,570,051	10,559,469	89,526	235,147	300,385	3,800	39,758,378
Disbursements							
Current:							
Library Services:							
Public Service and Programs	16,343,227	-	-	-	-	-	16,343,227
Collection Development and Processing	5,482,996	-	-	-	-	-	5,482,996
Support Services:							
Facilities Operation and Maintenance	482,054	-	-	-	-	-	482,054
Information Services	1,100,577	-	-	-	-	-	1,100,577
Business Administration	4,136,849	153,312	63,393	31,603	69,204	388	4,454,749
Capital Outlay	713,546	-	-	-	24,400,870	-	25,114,416
Debt Service:							
Principal Retirement	-	5,200,000	-	-	-	-	5,200,000
Interest and Fiscal Charges	-	6,426,131	-	-	-	-	6,426,131
<i>Total Disbursements</i>	28,259,249	11,779,443	63,393	31,603	24,470,074	388	64,604,150
<i>Excess of Receipts Over (Under) Disbursements</i>	310,802	(1,219,974)	26,133	203,544	(24,169,689)	3,412	(24,845,772)
Other Financing Sources (Uses)							
Sale of Capital Assets	26,563	-	-	-	-	-	26,563
Transfers In	-	-	-	-	-	53,961	53,961
Transfers Out	(53,961)	-	-	-	-	-	(53,961)
<i>Total Other Financing Sources (Uses)</i>	(27,398)	-	-	-	-	53,961	26,563
<i>Net Change in Fund Balances</i>	283,404	(1,219,974)	26,133	203,544	(24,169,689)	57,373	(24,819,209)
<i>Fund Balances Beginning of Year</i>	24,267,437	8,120,420	11,022,250	52,268,156	122,443,507	639,668	218,761,438
<i>Fund Balances End of Year</i>	\$ 24,550,841	\$ 6,900,446	\$ 11,048,383	\$ 52,471,700	\$ 98,273,818	\$ 697,041	\$ 193,942,229

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 Ending December 31, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 10,089,478	\$ 10,089,478	\$ 10,261,783	\$ 172,305
Other Government Grants-In-Aid	16,399,307	16,399,307	17,298,179	898,872
Patron Fines and Fees	538,000	538,000	401,679	(136,321)
Services Provided to Other Entities	110,170	110,170	134,411	24,241
Contributions, Gifts and Donations	109,500	109,500	281,949	172,449
Earnings on Investments	43,605	43,605	50,469	6,864
Miscellaneous	62,000	62,000	67,571	5,571
<i>Total Receipts</i>	<u>27,352,060</u>	<u>27,352,060</u>	<u>28,496,041</u>	<u>1,143,981</u>
Disbursements				
Current:				
Library Services:				
Salaries and Benefits	19,493,778	19,243,778	19,039,802	203,976
Supplies	786,411	871,411	781,920	89,491
Purchased and Contract Services	4,498,363	4,658,363	4,439,743	218,620
Library Materials and Information	4,229,095	4,229,095	3,795,103	433,992
Other	345,375	350,376	128,155	222,221
Capital Outlay	1,615,929	1,615,929	1,358,262	257,667
<i>Total Disbursements</i>	<u>30,968,951</u>	<u>30,968,952</u>	<u>29,542,985</u>	<u>1,425,967</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,616,891)</u>	<u>(3,616,892)</u>	<u>(1,046,944)</u>	<u>2,569,948</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	25,000	25,000	26,563	1,563
Transfers In	-	482,802	410,808	(71,994)
Transfers Out	-	(53,961)	(53,961)	-
<i>Total Other Financing Sources (Uses)</i>	<u>25,000</u>	<u>453,841</u>	<u>383,410</u>	<u>(70,431)</u>
<i>Net Change in Fund Balance</i>	(3,591,891)	(3,163,051)	(663,534)	2,499,517
<i>Prior Year Encumbrances Appropriated</i>	1,142,860	1,142,860	1,142,860	-
<i>Fund Balance Beginning of 2015</i>	<u>10,739,311</u>	<u>10,739,311</u>	<u>10,739,311</u>	<u>-</u>
<i>Fund Balance End of 2015</i>	<u>\$8,290,280</u>	<u>\$ 8,719,120</u>	<u>\$ 11,218,637</u>	<u>\$ 2,499,517</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
December 31, 2015

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 7,103
<i>Total Assets</i>	<u>\$ 7,103</u>
Net Position	<u>\$ 7,103</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 and 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 and the Dayton Metro Library Foundation are not-for-profit organizations with a self-appointing board. The Library is not financially accountable for the organizations, nor does the Library approve the budget or the issuance of debt of the organizations. The economic resources received or held by the Friends of the Library or the Dayton Metro Library are not significant to the Library. Therefore, these organizations have 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 modified cash basis of accounting. This modified 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 modified cash basis of accounting. 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, 2015

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 position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

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

The statement of net position presents the cash, cash equivalent 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 modified 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:

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

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. This fund includes the Sustainability Fund, the Facilities Enhancement Fund, and the Future Employee Compensation Fund.

Debt Service Fund – The debt service fund accounts for property taxes restricted for the purposes of repaying principal and interest on outstanding debt as they come due. See Note 14 for interest and bond repayment schedule.

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

Construction Taxable Fund – The taxable construction fund accounts for the monies from the proceeds of taxable bonds restricted to the purpose of constructing adding to, renovating, remodeling, furnishing equipping and, otherwise improving library buildings and facilities, and acquiring, clearing and improving the sites thereof.

Construction Exempt Fund - The exempt construction fund accounts for monies from the proceeds of tax-exempt bonds restricted to the purpose of constructing adding to, renovating, remodeling, furnishing equipping and, otherwise improving library buildings and facilities, and acquiring, clearing and improving the sites thereof.

The other governmental funds of the Library are the computer 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 modified cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Library are described in the appropriate section of this note.

As a result of the use of this modified 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 modified cash basis of accounting.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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 2015, the Library invested in STAR Ohio and STAR Ohio Plus. 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, 2015.

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 \$422,095 in restricted assets reported relates to the trust and endowment accounts established under the intention of the contributors and the \$108,521 is related to the total amount held in escrow accounts as of fiscal year end related to the ongoing construction projects of the Library.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

G. Investments in Segregated Accounts

The Library has established specific investment portfolios for certain individual funds which are outside the cash and investment pool. The Library has determined to carry these investments at stated market prices, which include accrued interest. All investment income received through these investment portfolios, including accrued interest, are recognized as investment earnings receipts for the applicable fund.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund, Debt Service Fund, Building and Repair Fund, Taxable Construction Fund, Exempt Construction Fund, and Other Governmental Funds during 2015 amounted to \$124,380, \$43,747, \$88,892, \$235,147, \$300,385, and \$3,800, respectively.

H. 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. Capital outlay totaled \$25,114,416 for the year, of which \$24,400,870 was reported within the construction project funds.

I. Collections

The collections (materials including books, periodicals, audio visual, etc.) are not recognized as assets in the statements of net position. Purchases of collection items are expensed and recorded as a decrease in restricted net position in the year in which the items are acquired (of which approximately \$3.4 million and \$3.2 million were acquired in 2015 and 2014, 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 position.

J. 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. The Library analyzed the Endowment funds to properly determine the portion of the Endowment that is nonspendable due to donors' permanent restriction and the portion that may be spent. Accordingly, the endowment has been split between nonspendable and restricted for 2015.

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.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

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.

K. 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.

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

M. 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.

N. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 3 – Budgetary Basis of Accounting

Reconciliation of Budgetary Basis Results to Modified Cash Basis Results

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 modified cash basis is due to funds that were budgeted separately but combined with the general fund for reporting purposes and outstanding year end encumbrances, which are treated as disbursements (budgetary basis) rather than as a component of fund balance (modified cash basis). The schedule below reconciles the change in fund balance reported in the two statements.

Change in Fund Balance - Modified Cash Basis	\$ 283,404
Outstanding Encumbrances	(1,481,289)
Separately Budgeted Funds	<u>534,351</u>
Change in Fund Balance - Budgetary Basis	<u>\$ (663,534)</u>

Note 4 – Deposits and Investments

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

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 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.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 4 – Deposits and Investments (continued)

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.
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 \$3,083 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 4 – Deposits and Investments (continued)

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, \$7,340,452 of the Library’s bank balance of \$8,090,452 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

At December 31, 2015, the Library had the following investments:

Investment Type	Carrying Value	Investment Maturities (in Years)		
		Less than One Year	One to Three Years	Three to Five Years
Federal Farm Credit Bank	\$ 10,488,634	\$ 7,927,579	\$ 2,061,035	\$ 500,020
Federal Home Loan Bank	43,262,285	34,295,946	7,815,546	1,150,793
Federal Home Loan Mortgage Corp.	28,917,949	19,854,735	7,811,646	1,251,568
Federal National Mortgage Assoc.	39,626,935	28,975,409	9,549,574	1,101,952
U.S. Treasury Security	50,563,853	42,561,825	8,002,028	-
Certificate of Deposit	1,286,945	666,084	620,861	-
Money Market Funds	7,006,076	7,006,076	-	-
STAR Ohio - Plus	4,787,568	4,787,568	-	-
	\$ 185,940,245	\$ 146,075,222	\$ 35,860,690	\$ 4,004,333

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.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 4 – Deposits and Investments (continued)

Credit Risk: Investments in Federal Agencies were rated AA+ by Standard and Poor's at December 31, 2015. The money market 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. The Library's investment policy limits investments to those authorized by State statute.

STAR Plus is a cash management option that provides a competitive yield on deposits in a network of FDIC-insured banks via a single, convenient account. Deposits will be distributed by a custodian as directed by the Federally Insured Cash Account (FDIC) program to multiple banks in amounts that will never exceed the FDIC maximum amount of \$250,000.

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.

Concentration Risk: At December 31, 2015 the Library's investment in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and U.S. Treasury Securities equaled 5.6%, 23.3%, 15.6%, 21.3%, and 27.2% of total investments, respectively.

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 2015, the Library received \$15,514,620 from this funding source.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the taxing district of the Library within Montgomery County. Property tax revenue received during 2015 for real and public utility property taxes represent collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of the appraised market value. 2015 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 December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 6 – Property Taxes (continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015 and are collected in 2016 with real property taxes.

The full tax rate for the Library for the year ended December 31, 2015 was \$3.31 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Real Property	\$6,481,324,390
Public Utility Personal Property	<u>333,624,440</u>
Total	<u>\$6,814,948,830</u>

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

Note 7 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, 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	\$ 76,151,054
Westfield Insurance	EDP Property	2,107,394
Westfield Insurance	Books & Audio Visual	16,706,000
Westfield Insurance	Rare Books	860,870
Westfield Insurance	Third Party Property	5,000/Person 50,000/Occurrence
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.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 8 - Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Library employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Library employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local Employees		
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 8 - Defined Benefit Pension Plans (continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local Employees
2015 Statutory Maximum Contribution Rates	
Employer	14.00%
Employee	10.00%
2015 Actual Contribution Rates	
Employer:	
Pension	12.00%
Post-employment Health Care Benefits	<u>2.00%</u>
Total Employer	<u>14.00%</u>
Employee	<u>10.00%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$1,898,687 for year 2015.

Note 9 – Defined Contribution 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, but they do receive a retirement benefit.

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 mandate, OPERS to provide OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend OPEB Plan 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the plan Statement in the OPERS 2014 CAFR for details.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 10 – Post-employment Benefits (continued)

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.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, local government employers contributed 14.0 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. 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 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, 2015, a portion of the Library’s contribution equal to 2.0 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, 2015 2014 and 2013 were \$271,241, \$268,956, and \$128,821, respectively; 100 percent has been contributed for 2015 2014, and 2013.

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.

Note 11 – Operating Leases

The Library leases buildings and other equipment under non-cancelable leases. The Library disbursed \$359,854 to pay lease costs for the year ended December 31, 2015. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2016	270,670
2017	179,386
Total	<u>\$ 450,056</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 2015, lease expense amounted to \$146,367. The current lease agreement expires on December 31, 2020, with one renewal option for a term of ten years through December 31, 2035 A second amendment was made for Dayton Metro Library to exercise its right to terminate the lease at the earliest date of December 31, 2017.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 11 – Operating Leases (Continued)

Moraine – The Library leases space to provide Outreach Services. The lease expense for 2015 amounted to \$80,265. The current lease agreement expires on April 30, 2016.

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 \$30,000 annually.

Temporary Main Library – For fiscal year 2015, lease expense amounted to \$21,450. The current lease agreement expires on April 30, 2016.

Temporary Storage of Special Collections – For fiscal year 2015, lease expense amounted to \$66,000. The current lease agreement expires on August 31, 2016.

Temporary Mobile Office – For fiscal year 2015, lease expense amounted to \$11,000. The current lease agreement expires June 19, 2016.

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.

Note 12 – Interfund Transfers

The general fund transferred \$53,961 to the Computer fund for the purchase of a future generation of Library Information Systems.

Note 13 – Encumbrances:

Below is a schedule of encumbrances at year-ended December 31, 2015:

Fund	Year End Encumbrances
General Fund	\$ 2,248,818
Building & Repair Fund	1,010
Construction - Taxable	50
Construction - Exempt	57,755,719
Other Governmental Funds	944
Total	\$ 60,006,541

Note 14 – Long Term Debt:

On March 20, 2013, the Library issued \$187,000,000 of Library Improvement Bonds (Bonds), of which \$52,000,000 were taxable (federal) and \$135,000,000 were tax exempt (federal, state, and local). The bonds have principal amounts maturing from December 2013 through December 2038 with interest rates varying from .25% to 5.0% during that time.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 14 –Long Term Debt (continued):

The Bonds are issued pursuant to Chapters 133 and 3375 of the revised code, a vote of the electors of the Library at the election held on November 6, 2012, on the question (approved by a 62.26% affirmative vote) of issuing general obligation bonds in the aggregate principal amount of \$187,000,000 and levying a property tax to retire those Bonds, and a resolution adopted by the County Board, as the taxing and bond-issuing authority for the Library, and a final terms certificate provided for by that resolution (collectively, the Authorizing Legislation).

The Bonds are issued for the purpose of constructing, adding to, renovating, remodeling, furnishing, equipping, and otherwise improving library buildings and facilities, and acquiring, clearing and improving the sites thereof.

Premiums of \$11,510,831 were received by the Library on the sale of the Bonds and they were deposited in the Debt Service Fund. No interest was accrued on the Bonds. Money in that Fund is used to pay principal and interest on Library debt obligations.

The library’s long-term debt activity for the year ended December 31, 2015, was as follows:

	Balance Outstanding 12/31/14	Additions	Reductions	Balance Outstanding 12/31/15	Due Within One Year
General Obligation Library Improvement Bonds, Series 2013:					
Taxable Bonds .25 - 2.59%	39,480,000	\$ -	\$5,200,000	\$ 34,280,000	\$ 5,230,000
Tax Exempt Bonds 3.255 - 5.00%	135,000,000	-	-	135,000,000	-
Total long term obligations	<u>\$ 174,480,000</u>	<u>\$ -</u>	<u>\$5,200,000</u>	<u>\$ 169,280,000</u>	<u>\$ 5,230,000</u>

The following is a summary of the Library's future annual debt service requirements to maturity:

Fiscal Year Ending	Principal	Interest	Total
2016	\$ 5,230,000	\$ 6,394,411	\$ 11,624,411
2017	5,280,000	6,345,249	11,625,249
2018	5,345,000	6,280,305	11,625,305
2019	5,425,000	6,199,596	11,624,596
2020	5,525,000	6,100,861	11,625,861
2021-2025	29,750,000	28,066,050	57,816,050
2026-2030	36,370,000	21,364,963	57,734,963
2031-2035	44,665,000	13,071,450	57,736,450
2036-2038	31,690,000	2,958,400	34,648,400
Total	<u>\$ 169,280,000</u>	<u>\$ 96,781,285</u>	<u>\$ 266,061,285</u>

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 15 –Contractual Commitments

The Dayton Metro Library had the following major outstanding contracts related to constructing, adding to, renovating, remodeling, furnishing, equipping, and otherwise improving the library buildings and facilities, and acquiring, clearing and improving the sites. The following estimated amounts remain on these contracts as of December 31, 2015:

RW Setterlin Building Company	\$ 6,633,898
Starco Inc	4,792,322
ESI Inc	4,269,565
Vancon Inc	4,196,967
Baker Concrete Construction	3,984,614
Performance Contracting	3,925,825
Geiger & Peters	2,793,579
Hemm's Glass Company	2,769,765
Dayton Design Collaborative	2,436,013
Mark Spaulding	2,154,818
Chapel Romanoff Technologies	2,043,572
APG Office Furnishings	1,624,172
Staffco Construction	1,560,669
ADEX International Only Lib	1,352,125
Kelchner Inc	1,306,265
O'Rourke Wrecking	1,153,775
Kerkan Roofing	1,149,500
Frye Mechanical Inc	1,124,000
Shook Construction	1,050,851
Omni Firproofing Co	987,137
Chapel Electric Company	711,605
Dalmatian Fire Inc	666,611
Skanska ATCS	631,886
Solica Construction	551,562
Business Furniture LLC	507,094
Miscellaneous Commitments*	3,377,579
Total	<u>\$ 57,755,769</u>

*These commitments are individually less than \$500,000 at fiscal year ended December 31, 2015.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 16 – Change in Accounting Principles:

For the fiscal year ended June 30, 2015, the Library implemented GASB Statements No. 68, Accounting and Financial Reporting for Pensions; and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

GASB Statement No. 68 addresses the accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trust agreements. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. Note disclosures and required supplementary information requirements about pension are also addressed. GASB Statement No. 71 addresses how pension contributions, if any, made subsequent to the measurer date of the beginning net pension liability should be accounted for during the implementation of GASB Statement No. 68. Due to accounting basis used to prepare these financial statements, changes to the financial statements were limited to the note disclosures.

**INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dayton Metro Library (the Library), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated April 15, 2016, wherein we noted the Library reported on a modified cash basis of accounting.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
April 15, 2016



At Clark Schaefer Hackett, we believe there's a difference between providing accounting services and actually serving you. One is about numbers, the other is about relationships. We strive to create remarkable relationships The CSH Way: by building trust, offering guidance, delivering desired outcomes, and providing vision to help you achieve your goals.

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Dave Yost • Auditor of State

DAYTON METRO LIBRARY

MONTGOMERY 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
JUNE 21, 2016**