
**DAYTON METRO LIBRARY
MONTGOMERY COUNTY, OHIO**

Basic Financial Statements – Cash Basis

December 31, 2012

(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 Auditors' Report* of the Dayton Metro Library, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2012 through December 31, 2012. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 20, 2013

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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 Dayton Metro Library (the Library), as of and for the year ended December 31, 2012, and 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, as discussed in Note 2, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America; this includes 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.

Auditor's 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 auditor's 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.

Opinions

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



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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 cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters*Other Information*

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 position, changes in net cash position, and governmental activities – total and net cost of services) are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. These tables were subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2013 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.



Springfield, Ohio
May 20, 2013

Dayton Metro Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012
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, 2012 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 2012 are as follows:

- Net position of governmental activities increased \$2,573,151, or 8.6%. Expenditures for the year decreased \$56,231 or 0.2% from 2011, and receipts from governmental activities decreased \$2,056,700 or 6.8% from 2011. The economic difficulty continued into 2012 affecting the State of Ohio, support from the State of Ohio through the Public Library Fund was \$844,647 or 5.7% less than 2011.
- The Library's general receipts are primarily made up of property and other local taxes (\$10,739,697) and other government grants-in-aid, such as the State's Public Library Fund (PLF) (\$16,368,092). These receipts represent respectively 38.1% and 58.1% 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 \$ 17,962,068. This amount represents 87.3% of total unassigned fund balance and 71.1% of 2012 General fund expenditures (\$25,271,404).
- Program specific receipts in the form of charges for services and sales, and operating grants and contributions represent \$773,778 or 2.7% 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 2012 thus having a dramatic negative effect on investment receipts. Investment receipts increased from \$159,600 in 2011 to \$207,102 an 29.8% increase, Comparatively, investment receipts in 2008 totaled \$598,174. In 2012, the Library did invest certain inactive funds in CDARS (Certificate of Deposit Account Registry Service) for public funds that produced a higher yield (1.50%) than savings or money market demand accounts (.21%). In 2012 funds were invested in two managed funds consisting of US Treasury notes and US government agency securities, that will produce a yield of .77% when held to maturity.

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, 2012
Unaudited

Financial Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. 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 position and the statement of activities reflect how the Library did financially during 2012, within the limitations of cash basis accounting. The statement of net position 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
For the Year Ended December 31, 2012
Unaudited

The statement of net position 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 cash position for 2012 compared to 2011 on a cash basis:

Dayton Metro Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

(Table 1)
Net Cash Position

	Governmental Activities		Increase
	2012	2011	(Decrease)
Assets			
Cash and Cash Equivalents	\$ 32,578,189	\$ 30,005,038	\$ 2,573,151
Total Assets	<u>\$ 32,578,189</u>	<u>\$ 30,005,038</u>	<u>2,573,151</u>
Net Cash Position:			
Restricted	\$ 416,279	\$ 416,684	\$ (405)
Unrestricted	<u>32,161,910</u>	<u>29,588,354</u>	<u>2,573,556</u>
Total Net Cash Position	<u>\$ 32,578,189</u>	<u>\$ 30,005,038</u>	<u>\$ 2,573,151</u>

As mentioned previously, net cash position of governmental activities increased \$2,573,151 or 8.6 percent during 2012. Disbursements decreased by 0.2% and receipts decreased by 6.8%. 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 cash position in 2012 and 2011 for governmental activities.

Dayton Metro Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

(Table 2)

Changes in Net Cash Position

	Governmental	
	Activities	
Receipts:	2012	2011
Program Receipts:		
Charges for Services and Sales	\$ 669,001	\$ 721,404
Operating Grants and Contributions	104,777	38,285
Total Program Receipts	<u>773,778</u>	<u>759,689</u>
General Receipts:		
Property and Other Local Taxes	10,739,697	11,623,962
Unrestricted Gifts and Contributions	17,223	21,169
Sale of Capital Assets	27,872	24,736
Grants and Entitlements Not Restricted to Specific Programs	16,368,092	17,603,989
Interest	207,102	159,600
Miscellaneous	44,043	41,362
Total General Receipts	<u>27,404,029</u>	<u>29,474,818</u>
Total Receipts	<u>28,177,807</u>	<u>30,234,507</u>
Disbursements:		
Library Services:		
Public Service and Programs	15,393,305	15,458,871
Collection Development and Processing	5,073,937	5,229,533
Support Services:		
Facilities Operation and Maintenance	541,301	537,157
Information Services Support	833,181	942,984
Business Administration	3,094,897	2,900,677
Capital Outlay	668,035	591,665
Total Disbursements	<u>25,604,656</u>	<u>25,660,887</u>
Increase (Decrease) in Net Cash Position	2,573,151	4,573,620
Net Cash Position January 1	<u>30,005,038</u>	<u>25,431,418</u>
Net Cash Position, December 31	<u>\$32,578,189</u>	<u>\$30,005,038</u>

General receipts represent 97.3% of the Library's total receipts, and of this amount, approximately 39.2% are property and other local taxes. Program receipts represent only 2.7% of total receipts and are primarily comprised of patron fees, grants, contributions and services provided to other entities. Earnings on investments account for 0.7% of the general receipts. State grants and entitlements comprise 59.7% of the Library's general receipts.

Dayton Metro Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Disbursements for library services consist of expenses for public service and program and collection development and processing. Library service costs for 2012 were 79.9% 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 \$668,035 represented 2.6% of disbursements and were primarily for the following:

- The IT department purchased 200 HP Compaq Pro 6300 Desktop Computers for \$104,066.
- A meeting room at the Burkhardt branch was incurred during 2012, for \$23,940.
- Installation of a Cisco Phone System Upgrade for \$111,222. Partial payment for 2012 was \$33,033.
- The roof at Englewood and Kettering branches were replaced for \$42,659.
- Two vehicles were replaced for \$40,847 at the Outreach branch.
- The ILS Installation replaced the former ILS system for \$298,994. Partial payment for 2012 was \$218,945.

Governmental Activities

If you look at the Statement of Activities on page 14, 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 60.1% and 19.8% of all governmental disbursements, respectively. Business administration, facilities operations, and information services support represents 17.5% 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 2012 and 2011 is presented in Table 3.

Dayton Metro Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

(Table 3)

Governmental Activities

	2012		2011	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Library Services:				
Public Service and Programs	\$ 15,393,305	\$ (14,769,025)	\$15,458,871	(\$14,810,952)
Collection Development and Processing	5,073,937	(5,003,640)	5,229,533	(5,214,680)
Support Services:				
Facilities Operation and Maintenance	541,301	(541,301)	537,157	(537,157)
Information Services Support	833,181	(753,980)	942,984	(846,067)
Business Administration	3,094,897	(3,094,897)	2,900,677	(2,900,677)
Capital Outlay	668,035	(668,035)	591,665	(591,665)
Total	\$25,604,656	(\$24,830,878)	\$25,660,887	(\$24,901,198)

Library Service expenditures decreased by \$221,162 or 1.1% versus 2011 primarily attributable to decreased expenditures in both Public Services and Programs and Collection Development & Processing.

Library Service salaries and wages decreased \$95,394 or 0.9% over 2011. Benefit costs, mainly driven by health insurance premiums and pension costs, increased by \$162,530 or 4.0% over 2011. Library material expenditures decreased by \$151,588 or 4.0% over 2011.

Capital Outlay increased \$76,370 as only critical capital expenditures were addressed in 2012.

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 16, total governmental funds had receipts of \$28,149,935 and disbursements of \$ 25,604,656. The General Fund is the chief operating fund of the Library. The fund balance of the General Fund increased \$2,746,464.

As illustrated on the Statement of Assets and Fund Balances – Governmental Funds on page 15, at the end of the current fiscal year, unassigned fund balance of the General Fund was \$17,962,068, while the total General Fund balance reached \$20,565,907. 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 71.1% of total General disbursements, while total fund balance represents 81.4% of that same amount.

Dayton Metro Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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 17, final receipts were budgeted at \$27,739,000 while actual receipts were \$28,037,547. The difference between final budgeted receipts and actual receipts was \$298,547.

Final disbursements were budgeted at \$27,207,618 while actual disbursements were \$26,134,674. The Library kept spending below budgeted amounts as demonstrated by the reported variances. In addition, the Library made \$124,572 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 2012, the inventory information was internally audited by the Finance Department and corrections, deletions, and additions were recorded.

Debt

The Library had no debt as December 31, 2012. However, in the wake of approving the 1.56 mil general revenue bond issue on November 6, 2012, the library successfully completed the sale of bonds and \$52 million of taxable bonds and \$135 million of tax exempt on March 14, 2013 and March 15, 2013 respectively. Durations for the bonds extend out 26 years.

Current Issues

Each of Ohio's 251 public libraries systems recognized by the State of Ohio receives a significant portion of their revenues from funds distributed by the Public Library Fund (PLF). Beginning with the 2008/2009 state budget, the Public Library Fund, as defined by Ohio Revised Code, received 2.22% of the State's total general fund (GRF) tax receipts to redistribution to Ohio's public libraries. However, that formula was put on hold as the State attempted to balance its budget as a result of the recession in the 2010/2011 budgets with distributions reduced to 1.97% of GRF. In the current biennial budgets the distributed funds were reduced by an additional 5% from the 2010/2011 funding levels. Additionally, budget language transferred from the PLF to fund two library agencies of the State. With funding for the Ohio Public Library Information Network (OPLIN) and the state's Library Services for the Blind and Physically Handicapped (LSBPH) removed, the total reductions from the prior budget averaged about 6.2%.

Proposed budget language under consideration by the legislature for the 2014-2015 fiscal years returns the PLF to a formula that will result in GRF funds being distributed to Ohio public libraries through the PLF. Public library funding as a percent of total state GRF tax revenues will be allowed to float, presumably downward to match fiscal year 2013 distributions. Fiscal years 2014/2015 would then be allowed to rise or fall depending on actual state tax revenues.

Dayton Metro Library
Management's Discussion and Analysis
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Current economic conditions have resulted in an increase in GRF tax collections during the past year and additional collections are projected for the coming budget years. Under current projections and budget language the Department of Taxation is projecting a 4.1% and 3.0% increases in the coming two years respectively.

Library operations have been partially insulated from declines in state support by the 1.75 mil operating levy approved by voters in 2009. This support dropped due to the triennial reassessment of property values in Montgomery County in 2011, effective for tax collections in 2012 through 2014.

Local property tax receipts are expected to stay stable for calendar year 2013. 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. In his December 2012 update to local governments County Auditor Karl Keith could not rule out additional drops in property values in the next valuation scheduled for 2014.

State funding represented 50.2% of library funding in 2012 as opposed to 49.3% of funding in 2011 a slight reversal from the trend of greater reliance on local property taxes. As recently as 1999, 87.6% of total library funding was through the State of Ohio.

Expenditures, particularly for human resources, will be somewhat higher in 2013 than 2012. Most this increase is a direct consequence of a new three year collective bargaining agreement reached with the Dayton Metro Library Staff Association (DMLSA); the deemed authorized representatives of approximately 245 full and part time employees. The agreement reached with DMLSA provided a 3% pay raise, retroactive to July 1, 2012. As the agreement was not reached until after January 1, 2013, the retroactive pay was posted as 2013 expenditures. Also one time cash payments also agreed to in the revised contract were not paid out until 2013, further increasing anticipated 2013 payroll obligations over 2012 payouts.

General fund expenditures for 2013 other significant areas of the budget are expected to remain flat, such as for books, videos, magazines and other library materials. Expenditures for electronic books and other online content is expected to rise with corresponding drops in print purchases and subscriptions.

In December 2012 additional funds were transferred from the General fund to the Sustainability Fund. This continues the practice 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 2014 budget.

A significant capital building initiative is currently underway and the Board of Trustees authorizing the placement of a capital improvement bond issue before voters on November 6, 2012. The issue passed by a margin of 62.2%. The proposed facilities plan also calls for the reduction in the total number of branches and provides for the construction of up to eleven new branches to replace 15 inefficient and costly branches. Four other branches will be expanded and/or 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.

To augment the funding from the bond issue, the library anticipated some expenditures from the 401 Building and Repair Fund for the acquisition of property. The specific amounts needed for new property acquisition is unknown as is any residual revenues from property and building disposal but the next

Dayton Metro Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012
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reduction of the fund is anticipated to be less than \$5,000,000 leaving more than half of the current balance intact upon completion of all projects in 2017.

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 Position - Cash Basis
December 31, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 32,161,910
Restricted Assets:	
Cash and Cash Equivalents	416,279
<i>Total Assets</i>	<i>\$ 32,578,189</i>
 Net Cash Position	
Restricted for:	
Endowment - Nonspendable	\$ 6,700
Endowment - Spendable	240,380
Trust	169,199
Unrestricted	32,161,910
<i>Total Net Cash Position</i>	<i>\$ 32,578,189</i>

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2012

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</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	\$ 15,393,305	\$ 588,651	\$ 35,629	\$ (14,769,025)
Collection Development and Processing	5,073,937	1,149	69,148	(5,003,640)
Support Services:				
Facilities Operation and Maintenance	541,301	-	-	(541,301)
Information Services Support	833,181	79,201	-	(753,980)
Business Administration	3,094,897	-	-	(3,094,897)
Capital Outlay	668,035	-	-	(668,035)
<i>Total Governmental Activities</i>	<u>25,604,656</u>	<u>669,001</u>	<u>104,777</u>	<u>(24,830,878)</u>
General Receipts				
				10,739,697
Property Taxes Levied for General Purposes				17,223
Unrestricted Gifts and Contributions				16,368,092
Grants and Entitlements not Restricted to Specific Programs				27,872
Sale of Capital Assets				207,102
Earnings on Investment				44,043
Miscellaneous				<u>27,404,029</u>
<i>Total General Receipts</i>				<u>27,404,029</u>
Change in Net Cash Position				2,573,151
<i>Net Cash Position Beginning of Year</i>				<u>30,005,038</u>
<i>Net Cash Position End of Year</i>				<u>\$ 32,578,189</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, 2012

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 20,565,907	\$ 11,484,735	\$ 111,268	\$ 32,161,910
Restricted Assets: Cash and Cash Equivalents	-	-	416,279	416,279
<i>Total Assets</i>	<u>\$ 20,565,907</u>	<u>\$ 11,484,735</u>	<u>\$ 527,547</u>	<u>\$ 32,578,189</u>
Fund Balances				
Nonspendable:				
Endowment Principal	\$ -	\$ -	\$ 6,700	\$ 6,700
Restricted for:				
Endowment - Spendable			240,380	240,380
Trust	-	-	169,199	169,199
Committed to:				
Computer Co-op	-	-	111,087	111,087
Facility improvements	-	10,917,565	-	10,917,565
Assigned to:				
Future Purchase Commitments	864,169	567,170	181	1,431,520
Future Employee Compensation	1,739,670	-	-	1,739,670
Unassigned	17,962,068	-	-	17,962,068
<i>Total Fund Balances</i>	<u>\$ 20,565,907</u>	<u>\$ 11,484,735</u>	<u>\$ 527,547</u>	<u>\$ 32,578,189</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, 2012

	General	Building and Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 10,739,697	\$ -	\$ -	\$ 10,739,697
Intergovernmental	16,368,092	-	-	16,368,092
Patron Fines and Fees	588,651	-	-	588,651
Services Provided to Other Entities	80,350	-	-	80,350
Contributions, Gifts and Donations	122,000	-	-	122,000
Earnings on Investments	104,529	102,545	28	207,102
Miscellaneous	44,043	-	-	44,043
<i>Total Receipts</i>	<u>28,047,362</u>	<u>102,545</u>	<u>28</u>	<u>28,149,935</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	15,393,305	-	-	15,393,305
Collection Development and Processing	5,073,937	-	-	5,073,937
Support Services:				
Facilities Operation and Maintenance	541,301	-	-	541,301
Information Services	833,181	-	-	833,181
Business Administration	3,051,489	29,258	14,150	3,094,897
Capital Outlay	378,190	66,600	223,245	668,035
<i>Total Disbursements</i>	<u>25,271,403</u>	<u>95,858</u>	<u>237,395</u>	<u>25,604,656</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,775,959</u>	<u>6,687</u>	<u>(237,367)</u>	<u>2,545,279</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	27,872	-	-	27,872
Transfers In	-	-	57,366	57,366
Transfers Out	(57,366)	-	-	(57,366)
<i>Total Other Financing Sources (Uses)</i>	<u>(29,494)</u>	<u>-</u>	<u>57,366</u>	<u>27,872</u>
<i>Net Change in Fund Balances</i>	2,746,465	6,687	(180,001)	2,573,151
<i>Fund Balances Beginning of Year</i>	<u>17,819,442</u>	<u>11,478,048</u>	<u>707,548</u>	<u>30,005,038</u>
<i>Fund Balances End of Year</i>	<u>\$ 20,565,907</u>	<u>\$ 11,484,735</u>	<u>\$ 527,547</u>	<u>\$ 32,578,189</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 10,524,990	\$ 10,524,990	\$ 10,739,697	\$ 214,707
Other Government Grants-In-Aid	16,241,253	16,241,253	16,368,092	126,839
Patron Fines and Fees	640,000	640,000	588,651	(51,349)
Services Provided to Other Entities	80,000	80,000	80,350	350
Contributions, Gifts and Donations	60,000	60,000	122,000	62,000
Earnings on Investments	95,000	95,000	94,713	(287)
Miscellaneous	97,757	97,757	44,044	(53,713)
<i>Total Receipts</i>	<u>27,739,000</u>	<u>27,739,000</u>	<u>28,037,547</u>	<u>298,547</u>
Disbursements				
Current:				
Library Services:				
Salaries and Benefits	18,538,427	17,938,427	17,629,666	308,761
Supplies	430,870	430,870	398,350	32,520
Purchased and Contract Services	4,221,143	4,221,143	3,829,391	391,752
Library Materials and Information	3,985,925	4,085,925	3,814,411	271,514
Other	690,786	90,786	379,701	(288,915)
Capital Outlay	680,467	440,467	83,155	357,312
<i>Total Disbursements</i>	<u>28,547,618</u>	<u>27,207,618</u>	<u>26,134,674</u>	<u>1,072,944</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(808,618)</u>	<u>531,382</u>	<u>1,902,873</u>	<u>1,371,491</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	30,000	30,000	27,872	(2,128)
Transfers Out	-	(124,572)	(124,572)	-
<i>Total Other Financing Sources (Uses)</i>	<u>30,000</u>	<u>(94,572)</u>	<u>(96,700)</u>	<u>(2,128)</u>
<i>Net Change in Fund Balance</i>	<u>(778,618)</u>	<u>436,810</u>	<u>1,806,173</u>	<u>1,369,363</u>
<i>Prior Year Encumbrances Appropriated</i>	995,517	995,517	995,517	-
<i>Fund Balance Beginning of 2012</i>	<u>15,160,379</u>	<u>15,160,379</u>	<u>15,160,379</u>	<u>-</u>
<i>Fund Balance End of 2012</i>	<u>\$ 15,377,278</u>	<u>\$ 16,592,706</u>	<u>\$ 17,962,069</u>	<u>\$ 1,369,363</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 28,331
<i>Total Assets</i>	<u>\$ 28,331</u>
Net Cash Position	<u>\$ 28,331</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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. 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, 2012

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 cash 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 cash 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 cash position 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, 2012

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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, 2012

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 2012, 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, 2012. 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 2012 amounted to \$104,529, \$102,545 and \$28, 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 position reports \$416,279 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 net position. Purchases of collection items are expensed and recorded as a decrease in unrestricted net position in the year in which the items are acquired (of which approximately \$3.3 million

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 – Summary of Significant Accounting Policies (continued)

and \$3.4 million were acquired in 2012 and 2011, 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.

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. 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 2012.

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, 2012

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 Position

Net position 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 position 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 \$863,685 for the general fund and funds budgeted elsewhere totaled \$76,606.

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, 2012

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, 2012

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, \$1,915,719 of the Library’s bank balance of \$2,663,279 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, 2012, 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	\$ 1,966,400	\$ 564,562	\$ 901,813	\$ 500,025
Federal Home Loan Bank	7,455,186	2,164,160	4,283,331	1,007,695
Federal Home Loan Mortgage Corp.	8,178,422	1,256,297	6,116,120	806,005
Federal National Mortgage Assoc.	7,274,091	503,620	4,851,995	1,918,476
U.S. Treasury Security	4,307,237	586,764	3,720,473	-
Money Market Funds	135,349	135,349	-	-
STAR Ohio - Plus	1,152,733	1,152,733	-	-
STAR Ohio	2	2	-	-
	<u>\$ 30,469,420</u>	<u>\$ 6,363,487</u>	<u>\$ 19,873,732</u>	<u>\$ 4,232,201</u>

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

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 4 – Deposits and Investments (continued)

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.

Credit Risk: Investments in Federal Agencies were rated AA+ by Standard and Poor's at December 31, 2012. The money markets and 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.

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, 2012 the Library's investment in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Federal securities equaled 6.5%, 24.5%, 26.8%, 23.9%, and 14.1% 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 2012, the Library received \$14,075,643 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 2012 represent the collection of 2011 taxes. Real property taxes received in 2012 were levied

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 6 – Property Taxes (continued)

after October 1, 2011 on the assessed values as of January 1, 2011, 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 2012 represent the collection of 2011 taxes. Public utility real and tangible personal property taxes received in 2012 became a lien on December 31, 2011, were levied after October 1, 2011, 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.

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 2012, 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	\$ 54,352,255
Westfield Insurance	EDP Property	2,368,838
Westfield Insurance	Books & Audio Visual	21,843,118
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.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2012, members in state and local classifications contributed 10.0 percent of covered payroll.

The Library's contribution rate for 2012 was 14.0 percent of covered payroll. For the period January 1, through December 31, 2012, 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, 2012, 2011, 2010 were \$1,262,412, \$1,316,496, and \$1,179,407 respectively. The full amount has been contributed for 2012, 2011, 2010.

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.

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 10 – Post-employment Benefits (continued)

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.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, 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, 2012, 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, 2012, 2011, and 2010 were \$504,965, \$526,598, and \$674,843 respectively; 100 percent has been contributed for 2012, 2011, 2010.

Note 11 – Operating Leases

The Library leases buildings and other equipment under non-cancelable leases. The Library disbursed \$249,587 to pay lease costs for the year ended December 31, 2012. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2013	221,687
2014	224,249
2015	226,756
2016	29,485
Total	<u>\$ 702,177</u>

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 11 – Operating Leases (continued)

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 2012, lease expense amounted to \$139,120. 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 2012 amounted to \$80,170. 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 \$26,000 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 \$3,659. All three copier leases expired in fiscal year 2012.

Note 12 – Interfund Transfers

The general fund transferred \$57,366 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, 2012:

Fund	Year End Encumbrances
General Fund	\$ 864,170
Building & Repair Fund	567,170
Other Governmental Funds	181
Total	1,431,521

Note 14 – Changes in Accounting Principles:

For fiscal year 2012, the Library has implemented Governmental Accounting Standards Board (GASB) Statement No.62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” and Governmental Accounting Standards Board (GASB) Statement No.63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” for periods beginning after December 15, 2011, to the extent they are applicable to the cash basis of accounting. GASB Statement No.62 incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict

Dayton Metro Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 14 –Changes in Accounting Principles (continued)

with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations, (2) Accounting Principles Board Opinions, (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedures.

GASB Statement No. 63 incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Library has implemented GASB 63 in the current year financial statements and has made the required changes to the format and reporting of the balance sheet at the government-wide level and also at the fund level.

Note 15 –Subsequent Events:

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.

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.

Any premium received by the Library on the sale of the Bonds and any interest accrued on the Bonds will be deposited in the Debt Service Fund. Money in that Fund is used to pay principal and interest on Library debt obligations.

**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, 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated May 20, 2013, wherein we noted the Library reported on the 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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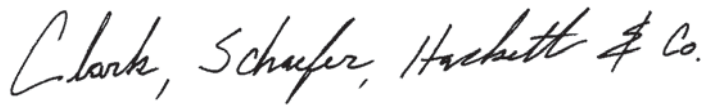
www.cshco.com
p. 937.399.2000
f. 937.399.5433

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.

A handwritten signature in cursive script that reads "Clark, Schaefer, Hachitt & Co.".

Springfield, Ohio
May 20, 2013



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success

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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
JULY 2, 2013**