



OHIO AUDITOR OF STATE
KEITH FABER



**DAYTON METRO LIBRARY
MONTGOMERY COUNTY**

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DAYTON METRO LIBRARY
MONTGOMERY COUNTY

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INDEPENDENT AUDITOR'S REPORT

Dayton Metro Library
Montgomery County
215 East Third Street
Dayton, Ohio 45402

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dayton Metro Library, Montgomery County, Ohio (the Library), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the 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 designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dayton Metro Library, Montgomery County, Ohio, as of December 31, 2017 and 2016, and the respective changes in modified cash financial position and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the modified cash basis of accounting, which differs from generally accepted accounting principles. 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 January 29, 2019, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 29, 2019

Dayton Metro Library
Montgomery County
Statement of Net Position - Modified Cash Basis
December 31, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 27,206,022
Restricted Assets:	
Investments Held by Trustees	\$4,710,915
Investment in Segregated Accounts	77,718,517
<i>Total Assets</i>	\$ 109,635,454
 Net Position	
Restricted for:	
Construction Projects	\$ 71,250,851
Debt Service	4,711,365
Endowment - Nonspendable	6,700
Endowment - Spendable	247,488
Trust	174,110
Unrestricted	33,244,940
<i>Total Net Position</i>	\$ 109,635,454

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2017

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$ 17,245,943	\$ 363,214	\$ 65,194	\$ (16,817,535)
Collection Development and Processing	6,142,557	41,728	12,014	(6,088,815)
Support Services:				
Facilities Operation and Maintenance	638,823			(638,823)
Information Services Support	1,553,922	61,818		(1,492,104)
Business Administration	5,054,906			(5,054,906)
Capital Outlay				
Construction Project	26,365,349		260,000	(26,105,349)
Other	499,058			(499,058)
Debt Service:				
Principal Retirement	5,280,000			(5,280,000)
Interest and Fiscal Charges	6,348,499			(6,348,499)
<i>Total Governmental Activities</i>	<u>69,129,057</u>	<u>466,760</u>	<u>337,208</u>	<u>(68,325,089)</u>
		General Receipts		
				10,373,337
				9,262,855
				40,615
				17,145,899
				1,338,517
				879,676
				342,880
				<u>39,383,779</u>
				(28,941,310)
				<u>138,576,764</u>
				<u>\$ 109,635,454</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
 Montgomery County
 Statement of Assets and Fund Balances- Modified Cash Basis
 Governmental Funds
 December 31, 2017

	General	Debt Service	Building & Repair Fund	Construction Taxable	Construction Exempt	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$20,850,029	\$450	\$1,940,202	\$0	\$3,601,743	\$813,598	\$27,206,022
Restricted Assets:							
Investments Held by Trustees		4,710,915					\$4,710,915
Investments in Segregated Accounts	737,933		9,331,476	53,129,496	14,519,612		77,718,517
Total Assets	\$21,587,962	\$4,711,365	\$11,271,678	\$53,129,496	\$18,121,355	\$813,598	\$109,635,454
Fund Balances							
Nonspendable:							
Endowment - Principal						\$6,700	\$6,700
Restricted for:							
Endowment - Spendable						\$247,488	\$247,488
Trust						174,110	174,110
Debt Service		\$4,711,365					4,711,365
Construction Project				\$53,129,496	\$18,121,355		71,250,851
Committed to:							
Computer Co-op						385,300	385,300
Facility Improvements	\$741,933		\$11,271,678				12,013,611
Future Employee Compensation	\$1,673,428						1,673,428
Assigned to:							
Future Purchase Commitments	967,346						967,346
Subsequent Year Analysis	6,063,357						6,063,357
Unassigned	12,141,898						12,141,898
Total Fund Balances	\$21,587,962	\$4,711,365	\$11,271,678	\$53,129,496	\$18,121,355	\$813,598	\$109,635,454

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2017

	General	Debt Service	Building and Repair Fund	Construction Taxable	Construction Exempt	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 10,373,337	\$ 9,262,855					\$ 19,636,192
Intergovernmental	17,145,899	1,338,517					18,484,416
Patron Fines and Fees	363,214						363,214
Services Provided to Other Entities	103,546						103,546
Contributions, Gifts and Donations	377,823						377,823
Earnings on Investments	185,558	80,021	93,847	329,352	185,777	5,121	879,676
Miscellaneous	323,178		10,008		9,694		342,880
<i>Total Receipts</i>	<u>28,872,555</u>	<u>10,681,393</u>	<u>103,855</u>	<u>329,352</u>	<u>195,471</u>	<u>5,121</u>	<u>40,187,747</u>
Disbursements							
Current:							
Library Services:							
Public Service and Programs	17,245,943						17,245,943
Collection Development and Processing	6,142,557						6,142,557
Support Services:							
Facilities Operation and Maintenance	638,823						638,823
Information Services	1,553,922						1,553,922
Business Administration	4,800,746	138,790	54,570	36,459	23,818	523	5,054,906
Capital Outlay	499,058		-		26,365,349		26,864,407
Debt Service:							
Principal Retirement		5,280,000					5,280,000
Interest and Fiscal Charges		6,348,499					6,348,499
<i>Total Disbursements</i>	<u>30,881,049</u>	<u>11,767,289</u>	<u>54,570</u>	<u>36,459</u>	<u>26,389,167</u>	<u>523</u>	<u>69,129,057</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,008,494)</u>	<u>(1,085,896)</u>	<u>49,285</u>	<u>292,893</u>	<u>(26,193,696)</u>	<u>4,598</u>	<u>(28,941,310)</u>
Other Financing Sources (Uses)							
Transfers In						51,774	51,774
Transfers Out	(51,774)						(51,774)
<i>Total Other Financing Sources (Uses)</i>	<u>(51,774)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>51,774</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(2,060,268)</u>	<u>(1,085,896)</u>	<u>49,285</u>	<u>292,893</u>	<u>(26,193,696)</u>	<u>56,372</u>	<u>(28,941,310)</u>
<i>Fund Balances Beginning of Year</i>	<u>23,648,230</u>	<u>5,797,261</u>	<u>11,222,393</u>	<u>52,836,603</u>	<u>44,315,051</u>	<u>757,226</u>	<u>138,576,764</u>
<i>Fund Balances End of Year</i>	<u>\$ 21,587,962</u>	<u>\$ 4,711,365</u>	<u>\$ 11,271,678</u>	<u>\$ 53,129,496</u>	<u>\$ 18,121,355</u>	<u>\$ 813,598</u>	<u>\$ 109,635,454</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 10,606,382	\$ 10,606,382	\$ 10,373,337	\$ (233,045)
Intergovernmental	17,609,354	17,609,354	17,145,899	(463,455)
Patron Fines and Fees	352,150	352,150	363,214	11,064
Services Provided to Other Entities	100,454	100,454	103,546	3,092
Contributions, Gifts and Donations	189,725	189,725	377,823	188,098
Earnings on Investments	89,887	89,887	105,227	15,340
Miscellaneous	158,188	158,188	323,178	164,990
<i>Total Receipts</i>	<u>29,106,140</u>	<u>29,106,140</u>	<u>28,792,224</u>	<u>(313,916)</u>
Disbursements				
Current:				
Library Services:				
Salaries and Benefits	20,632,838	20,732,887	20,318,541	414,346
Supplies	825,380	830,105	692,388	137,717
Purchased and Contract Services	5,417,166	5,776,546	5,333,497	443,049
Library Materials and Information	3,784,301	4,508,583	4,474,689	33,894
Other	164,536	179,537	165,430	14,107
Capital Outlay	987,060	884,866	683,881	200,985
<i>Total Disbursements</i>	<u>31,811,281</u>	<u>32,912,524</u>	<u>31,668,426</u>	<u>1,244,098</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,705,141)</u>	<u>(3,806,384)</u>	<u>(2,876,202)</u>	<u>930,182</u>
Other Financing Sources (Uses)				
Transfers Out	(54,219)	(54,219)	(51,774)	2,445
<i>Total Other Financing Sources (Uses)</i>	<u>(54,219)</u>	<u>(54,219)</u>	<u>(51,774)</u>	<u>2,445</u>
<i>Net Change in Fund Balance</i>	(2,759,360)	(3,860,603)	(2,927,976)	932,627
<i>Prior Year Encumbrances Appropriated</i>	1,216,827	1,216,827	1,216,827	-
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>10,494,072</u>	<u>10,494,072</u>	<u>10,494,072</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$8,951,539</u></u>	<u><u>\$ 7,850,296</u></u>	<u><u>\$ 8,782,923</u></u>	<u><u>\$ 932,627</u></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, 2017

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 9,267
<i>Total Assets</i>	<u>\$ 9,267</u>
Net Position	<u>\$ 9,267</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 1 – Description of the Library and Reporting Entity

The Dayton Metro Library is organized as a county district 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 3375.41 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.

Under the provisions of Government Accounting Standards Board Statement No. 61, “The Financial Reporting Entity Omnibus”, the Library is considered a related organization to Montgomery County.

Related Organizations

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.

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.

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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:

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.

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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, which account for and report resources whose use is restricted, committed, or assigned to a particular purpose.

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.

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

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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

Cash and cash equivalents that are held separately in accounts at a financial institution for debt service are reported as “Restricted Assets: Investments Held by Trustees.”

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents.” Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. All investments of the cash management pool are presented on the financial statements as assets. 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 2017, the library invested in nonnegotiable certificates of deposit, federal agency securities, money market mutual funds, STAR Ohio, and STAR Ohio Plus. Investments are reported at stated market prices, which include accrued interest, except for the money market mutual funds and STAR Ohio. The library's money market mutual fund investments are recorded at the amount reported by Fifth-Third Bank and Huntington Bank on December 31, 2017.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State of Ohio to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The Library measures their investments in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million,

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All Accounts of the participant will be combined for these purposes.

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. Restricted assets reported at December 31, 2017 include the \$4,710,915 of investments held by a trustee for debt service.

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 2017 amounted to \$ 185,558, \$ 80,021, \$ 93,847, \$ 329,352, \$ 185,777, and \$ 5,121, 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.

I. Collections

The collections (materials including books, periodicals, audio visual, etc.) are not recognized as disbursements in the accompanying financial statements. Purchases of collection items are recorded as disbursements in the year in which the items are acquired (of which approximately \$4.1 million and \$3.3 million were acquired in 2017 and 2016, respectively). Contributed collection items are not reflected in the financial statements. Proceeds from the sale of collections or insurance recoveries are reflected as receipts when received.

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 they cannot be spent because they are not in spendable form or they are legally or contractually required to maintain the amounts intact.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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

Dayton Metro Library
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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. Accumulated Leave

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

O. Long-Term Obligations

The Library’s modified cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

P. Inventory and Prepaid Items

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

Note 3 – Budgetary Basis of Accounting

Reconciliation of Budgetary Basis Results to Modified Cash Basis

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	\$ (2,060,268)
Outstanding Encumbrances	(967,346)
Separately Budgeted Funds	<u>99,638</u>
Change in Fund Balance - Budgetary Basis	<u>\$ (2,927,976)</u>

Dayton Metro Library
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 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.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. 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, and Government National Mortgage 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, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments (continued)

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), and
8. Certain banker’s acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any time if 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 \$3,073 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, \$5,813,693 of the Library’s bank balance of \$6,563,693 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 the Library and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or,

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments (continued)

Investments

The Library reports their investments at stated market prices, which include accrued interest, or net asset value per share. As of December 31, 2017, 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 Home Loan Bank	34,852,430	14,614,067	19,742,483	495,880
Federal Home Loan Mortgage Corp.	14,519,257	7,014,936	6,808,471	695,850
Federal National Mortgage Assoc.	12,624,658	5,921,435	6,703,223	-
U.S. Treasury Security	32,525,118	22,924,448	9,600,670	-
Certificate of Deposit	4,702,241	2,705,802	1,996,439	-
Money Market Funds	3,488,723	3,488,723	-	-
STAR Ohio	2,054,059	2,054,059	-	-
	\$ 104,766,486	\$ 58,723,470	\$ 44,851,286	\$ 1,191,730

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.

Credit Risk: Investments in Federal Agencies were rated AA+ by Standard and Poor’s at December 31, 2017. 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 Ohio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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

Dayton Metro Library
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments (continued)

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.”

Concentration of Credit Risk: 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.

At December 31, 2017 the Library’s investment in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and U.S. Treasury Securities equaled 33.3%, 13.9%, 12.1%, and 31.0% 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 State allocates PLF to each county based on the total tax revenue credited to the State’s general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distribution made from January-June of the subsequent year. During 2017, the Library received \$15,333,068 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 2017 for real and public utility property taxes represent collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of the appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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.

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. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017 and are collected in 2018 with real property taxes.

The full tax rate for the Library for the year ended December 31, 2017 was \$3.31 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Real Property	\$6,498,598,940
Public Utility Personal Property	<u>355,892,700</u>
Total	<u>\$6,854,491,640</u>

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 6 – Property Taxes (continued)

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 2017, 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	140,536,111
Westfield Insurance	EDP Property	1,643,011
Westfield Insurance	Books & Audio Visual	14,390,000
Westfield Insurance	Rare Books	1,524,584
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	65,000,000
Westfield Insurance	Automobile	1,000,000
Westfield Insurance	General Liability, (each occurrence)	1,000,000

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

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

Note 8 - Defined Benefit Pension 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

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 - Defined Benefit Pension Plans (continued)

<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 Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
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.

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

	<u>State and Local Employees</u>
2017 Statutory Maximum Contribution Rates	
Employer	14.00%
Employee	10.00%
2017 Actual Contribution Rates	
Employer:	
Pension	13.00%
Post-employment Health Care Benefits	<u>1.00%</u>
Total Employer	<u>14.00%</u>
Employee	<u>10.00%</u>

Dayton Metro Library
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 - Defined Benefit Pension Plans (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$1,993,183 for year 2017.

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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 years or more 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 CAFR for details.

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 2017, local government employers contributed 14.0 percent of covered payroll. This is the maximum employer

Dayton Metro Library
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 10 – Post-employment Benefits (continued)

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, 2017, a portion of the Library's contribution equal to 1.0 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, 2017, 2016, and 2015 were \$142,370, \$276,919, and \$271,241, respectively; 100 percent has been contributed for 2017, 2016, and 2015.

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 \$432,972 to pay lease costs for the year ended December 31, 2017. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2018	278,598
2019	83,834
2020	86,349
2021	36,421
Total	<u>\$ 485,202</u>

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

Huber Heights – For fiscal year 2017, lease expense amounted to \$196,007. 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.

Moraine – The Library leases space to provide Outreach Services. The lease expense for 2017 amounted to \$85,688. The current lease agreement expires on April 30, 2021.

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

Dayton Metro Library
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 11 – Operating Leases (continued)

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.

Parking Spaces – The Library leases parking spaces for the employees at the Main Library. The current lease agreement expires September 30, 2018.

Note 12 – Interfund Transfers

During 2017, the general fund transferred \$51,774 to the Computer fund for the purchase of a future generation of Library Information Systems. The Computer Fund is reported within Other Government Funds in the accompanying financial statements.

Note 13 – Encumbrances:

Below is a schedule of encumbrances at year-ended December 31, 2017:

<u>Fund</u>	<u>Year End Encumbrances</u>
General Fund	\$ 1,128,496
Building & Repair Fund	132,225
Construction - Exempt	15,928,897
Total	<u>\$ 17,189,618</u>

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.

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.

Dayton Metro Library
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 14 –Long Term Debt (continued):

The library’s long-term debt activity for the year ended December 31, 2017, was as follows:

	Balance Outstanding 12/31/16	Additions	Reductions	Balance Outstanding 12/31/17	Due Within One Year
General Obligation Library Improvement Bonds, Series 2013:					
Taxable Bonds .25 - 2.59%	29,050,000	\$ -	\$ 5,280,000	\$ 23,770,000	\$ 5,345,000
Tax Exempt Bonds 3.255 - 5.00%	135,000,000	-	-	135,000,000	-
Total long term obligations	<u>\$ 164,050,000</u>	<u>\$ -</u>	<u>\$ 5,280,000</u>	<u>\$ 158,770,000</u>	<u>\$ 5,345,000</u>

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

Fiscal Year Ending	Principal	Interest	Total
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	5,640,000	5,982,073	11,622,073
2022	5,695,000	5,851,789	11,546,789
2023-2027	31,950,000	25,793,312	57,743,312
2028-2032	39,655,000	18,075,737	57,730,737
2033-2037	48,495,000	9,250,000	57,745,000
2038	11,040,000	507,950	11,547,950
Total	<u>\$ 158,770,000</u>	<u>\$ 84,041,623</u>	<u>\$ 242,811,623</u>

Dayton Metro Library
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017:

Empire Building Company LLC	\$ 5,828,667
Staffco Construction Inc	3,115,770
Dayton Design Collaborative	1,461,094
APG Office Furnishings Inc	1,215,053
Geiger & Peters	478,643
Ruetschle Architects Inc	434,372
Performance Contracting Inc	397,076
ESI Inc	386,157
Hemm's Glass Company	342,727
Shook Construction Company	318,905
RW Setterlin Building Company	214,868
Kelchner Inc	169,545
Van Con Inc	139,428
Mark Spaulding	129,896
Starco Inc	127,151
Miscellaneous Commitments*	1,169,545
Total	<u>\$ 15,928,897</u>

*These commitments are individually less than \$200,000 at fiscal year ended December 31, 2017.

Note 16 – Tax Abatements:

Other governments entered into property tax abatement agreements with Montgomery County within the taxing districts of the Library. The tax abatement agreements are a direct incentive tax exemption program benefiting property owners and businesses. Within the taxing districts of the Library, Montgomery County has entered into numerous such agreements. Under these agreements, the Library's property taxes were reduced by approximately \$366,231. The Library is not receiving any amounts from Montgomery County in association with the foregone property tax revenue.

Dayton Metro Library
Montgomery County
Statement of Net Position - Modified Cash Basis
December 31, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 30,266,106
Restricted Assets:	
Cash and Cash Equivalents with Escrow Agents	\$188,246
Investments Held by Trustees	\$5,793,561
Investment in Segregated Accounts	102,328,851
<i>Total Assets</i>	\$ 138,576,764
 Net Position	
Restricted for:	
Construction Projects	\$ 97,151,654
Debt Service	5,797,261
Endowment - Nonspendable	6,700
Endowment - Spendable	246,000
Trust	173,091
Unrestricted	35,202,058
<i>Total Net Position</i>	\$ 138,576,764

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2016

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$ 16,443,937	\$ 361,308	\$ 49,798	\$ (16,032,831)
Collection Development and Processing	5,315,959	3,188	7,813	(5,304,958)
Support Services:				
Facilities Operation and Maintenance	492,762			(492,762)
Information Services Support	1,257,092	97,987		(1,159,105)
Business Administration	4,610,597			(4,610,597)
Capital Outlay				
Construction Project	54,364,285		117,834	(54,246,451)
Other	1,295,174			(1,295,174)
Debt Service:				
Principal Retirement	5,230,000			(5,230,000)
Interest and Fiscal Charges	6,397,561			(6,397,561)
<i>Total Governmental Activities</i>	<u>95,407,367</u>	<u>462,483</u>	<u>175,445</u>	<u>(94,769,439)</u>
General Receipts				
				10,367,920
				9,242,928
				12,305
				16,972,854
				1,352,148
				109,762
				1,169,145
				176,912
<i>Total General Receipts</i>				<u>39,403,974</u>
				(55,365,465)
				193,942,229
				<u>\$ 138,576,764</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Statement of Assets and Fund Balances- Modified Cash Basis
Governmental Funds
December 31, 2016

	General	Debt Service	Building & Repair Fund	Construction Taxable	Construction Exempt	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$22,750,849	\$3,700	\$1,970,751		\$4,783,580	\$757,226	\$30,266,106
Restricted Assets:							
Cash and Cash Equivalents with Escrow Accounts					188,246		\$188,246
Investments Held by Trustees		5,793,561					\$5,793,561
Investments in Segregated Accounts	897,381		9,251,642	52,836,603	39,343,225		102,328,851
<i>Total Assets</i>	<u>\$23,648,230</u>	<u>\$5,797,261</u>	<u>\$11,222,393</u>	<u>\$52,836,603</u>	<u>\$44,315,051</u>	<u>\$757,226</u>	<u>\$138,576,764</u>
Fund Balances							
Nonspendable:							
Endowment - Principal						\$6,700	\$6,700
Restricted for:							
Endowment - Spendable						\$246,000	\$246,000
Trust						173,091	173,091
Debt Service		\$5,797,261					5,797,261
Construction Project				\$52,836,603	\$44,315,051		97,151,654
Committed to:							
Computer Co-op						331,435	331,435
Facility Improvements	\$906,517		\$11,222,393				12,128,910
Future Employee Compensation	1,663,633						1,663,633
Assigned to:							
Future Purchase Commitments	1,216,827						1,216,827
Subsequent Year Analysis	3,439,548						3,439,548
Unassigned	16,421,705						16,421,705
<i>Total Fund Balances</i>	<u>\$23,648,230</u>	<u>\$5,797,261</u>	<u>\$11,222,393</u>	<u>\$52,836,603</u>	<u>\$44,315,051</u>	<u>\$757,226</u>	<u>\$138,576,764</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2016

	General	Debt Service	Building and Repair Fund	Construction Taxable	Construction Exempt	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 10,367,920	\$ 9,242,928					\$ 19,610,848
Intergovernmental	16,972,854	1,352,148					18,325,002
Patron Fines and Fees	361,308						361,308
Services Provided to Other Entities	101,175						101,175
Contributions, Gifts and Donations	182,916				4,834		187,750
Earnings on Investments	196,485	79,291	129,788	398,350	357,548	7,683	1,169,145
Miscellaneous	62,402				94,272		156,674
<i>Total Receipts</i>	<u>28,245,060</u>	<u>10,674,367</u>	<u>129,788</u>	<u>398,350</u>	<u>456,654</u>	<u>7,683</u>	<u>39,911,902</u>
Disbursements							
Current:							
Library Services:							
Public Service and Programs	16,443,937						16,443,937
Collection Development and Processing	5,315,959						5,315,959
Support Services:							
Facilities Operation and Maintenance	492,762						492,762
Information Services	1,257,092						1,257,092
Business Administration	4,323,199	149,990	52,378	33,448	51,136	446	4,610,597
Capital Outlay	1,282,012		13,162		54,364,285		55,659,459
Debt Service:							
Principal Retirement		5,230,000					5,230,000
Interest and Fiscal Charges		6,397,561					6,397,561
<i>Total Disbursements</i>	<u>29,114,961</u>	<u>11,777,551</u>	<u>65,540</u>	<u>33,448</u>	<u>54,415,421</u>	<u>446</u>	<u>95,407,367</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(869,901)</u>	<u>(1,103,184)</u>	<u>64,248</u>	<u>364,902</u>	<u>(53,958,767)</u>	<u>7,237</u>	<u>(55,495,465)</u>
Other Financing Sources (Uses)							
Sale of Capital Assets	20,238		109,762				130,000
Transfers In						52,948	52,948
Transfers Out	(52,948)						(52,948)
<i>Total Other Financing Sources (Uses)</i>	<u>(32,710)</u>	<u>0</u>	<u>109,762</u>	<u>0</u>	<u>0</u>	<u>52,948</u>	<u>130,000</u>
<i>Net Change in Fund Balances</i>	(902,611)	(1,103,184)	174,010	364,902	(53,958,767)	60,185	(55,365,465)
<i>Fund Balances Beginning of Year</i>	24,550,841	6,900,445	11,048,383	52,471,701	98,273,818	697,041	193,942,229
<i>Fund Balances End of Year</i>	<u>\$ 23,648,230</u>	<u>\$ 5,797,261</u>	<u>\$ 11,222,393</u>	<u>\$ 52,836,603</u>	<u>\$ 44,315,051</u>	<u>\$ 757,226</u>	<u>\$ 138,576,764</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 9,806,578	\$ 9,806,578	\$ 10,367,920	\$ 561,342
Intergovernmental	17,228,144	17,228,144	16,972,854	(255,290)
Patron Fines and Fees	405,870	405,870	361,308	(44,562)
Services Provided to Other Entities	134,460	134,460	101,175	(33,285)
Contributions, Gifts and Donations	279,680	279,680	182,916	(96,764)
Earnings on Investments	51,261	51,261	87,871	36,610
Miscellaneous	66,433	66,433	62,402	(4,031)
<i>Total Receipts</i>	<u>27,972,426</u>	<u>27,972,426</u>	<u>28,136,446</u>	<u>164,020</u>
Disbursements				
Current:				
Library Services:				
Salaries and Benefits	19,960,322	19,867,539	19,375,514	492,025
Supplies	587,434	863,178	694,979	168,199
Purchased and Contract Services	4,800,143	5,369,748	4,727,736	642,012
Library Materials and Information	4,013,675	4,428,125	3,604,947	823,178
Other	325,939	158,178	139,548	18,630
Capital Outlay	1,637,156	2,151,873	1,597,172	554,701
<i>Total Disbursements</i>	<u>31,324,669</u>	<u>32,838,641</u>	<u>30,139,896</u>	<u>2,698,745</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,352,243)</u>	<u>(4,866,215)</u>	<u>(2,003,450)</u>	<u>2,862,765</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	10,000	10,000	20,238	10,238
Transfers In				-
Transfers Out	(54,000)	(225,000)	(222,692)	2,308
<i>Total Other Financing Sources (Uses)</i>	<u>(44,000)</u>	<u>(215,000)</u>	<u>(202,454)</u>	<u>12,546</u>
<i>Net Change in Fund Balance</i>	<u>(3,396,243)</u>	<u>(5,081,215)</u>	<u>(2,205,904)</u>	<u>2,875,311</u>
<i>Prior Year Encumbrances Appropriated</i>	1,481,289	1,481,289	1,481,289	-
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>11,218,687</u>	<u>11,218,687</u>	<u>11,218,687</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$9,303,733</u>	<u>\$ 7,618,761</u>	<u>\$ 10,494,072</u>	<u>\$ 2,875,311</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, 2016

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,748
<i>Total Assets</i>	<u>\$ 2,748</u>
Net Position	<u>\$ 2,748</u>

See accompanying notes to the basic financial statements

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 1 – Description of the Library and Reporting Entity

The Dayton Metro Library is organized as a county district 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 3375.41 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.

Under the provisions of Government Accounting Standards Board Statement No. 61, “The Financial Reporting Entity Omnibus”, the Library is considered a related organization to Montgomery County.

Related Organizations

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.

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.

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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:

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.

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

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, which account for and report resources whose use is restricted, committed, or assigned to a particular purpose.

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
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

Cash and cash equivalents that are held separately in accounts at a financial institution for debt service are reported as “Restricted Assets: Investments Held by Trustees.”

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library’s records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents.” Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. All investments of the cash management pool are presented on the financial statements as assets. 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 2016, the library invested in nonnegotiable certificates of deposit, federal agency securities, money market mutual funds, STAR Ohio, and STAR Ohio Plus. Investments are reported at stated market prices, which include accrued interest, except for the money market mutual funds and STAR Ohio. The library’s money market mutual fund investments are recorded at the amount reported by Fifth-Third Bank and Huntington Bank on December 31, 2016.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State of Ohio to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The Library measures their investments in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

per share that approximates fair value. For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All Accounts of the participant will be combined for these purposes.

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. Restricted assets reported at December 31, 2016 include the \$5,793,561 of investments held by a trustee for debt service and the \$188,246 held in escrow accounts as of fiscal year end due to the ongoing construction projects of the Library.

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 2016 amounted to \$ 196,485, \$ 79,291, \$ 129,788, \$ 398,350, \$ 357,548, and \$ 7,683, 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.

I. Collections

The collections (materials including books, periodicals, audio visual, etc.) are not recognized as disbursements in the accompanying financial statements. Purchases of collection items are recorded as disbursements in the year in which the items are acquired (of which approximately \$3.3 million and \$3.4 million were acquired in 2016 and 2015, respectively). Contributed collection items are not reflected in the financial statements. Proceeds from the sale of collections or insurance recoveries are reflected as receipts when received.

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:

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

Nonspendable - The Library classifies assets as nonspendable when they cannot be spent because they are not in spendable form or they are legally or contractually required to maintain the amounts intact.

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

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

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Trustees or a Library official delegated that authority by resolution, or by State Statute.

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

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

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

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

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. Accumulated Leave

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

O. Long-Term Obligations

The Library’s modified cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

P. Inventory and Prepaid Items

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

Note 3 – Budgetary Basis of Accounting

Reconciliation of Budgetary Basis Results to Modified Cash Basis

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	\$ (902,611)
Outstanding Encumbrances	(1,216,827)
Separately Budgeted Funds	<u>(86,466)</u>
Change in Fund Balance - Budgetary Basis	<u>\$ (2,205,904)</u>

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 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.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by eligible securities pledged by the financial institution as security for repayment. 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, and Government National Mortgage 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, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio.
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); and

Dayton Metro Library
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments (continued)

8. Certain banker's acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any time if 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 \$3,070 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, \$6,009,902 of the Library's bank balance of \$6,704,980 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.

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments (continued)

Investments

The Library reports their investments at stated market prices, which include accrued interest, or net asset value per share. As of December 31, 2016, 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	\$ 3,184,610	\$ 3,184,610	\$ -	\$ -
Federal Home Loan Bank	29,310,722	18,533,786	10,527,826	249,110
Federal Home Loan Mortgage Corp.	24,681,729	18,701,303	4,791,910	1,188,516
Federal National Mortgage Assoc.	17,247,247	11,795,472	4,950,295	501,480
U.S. Treasury Security	38,596,046	28,999,718	9,596,328	-
Certificate of Deposit, Less than One Year	3,346,426	888,363	2,458,063	-
Money Market Funds	11,850,974	11,850,974	-	-
STAR Ohio	3,910,412	3,910,412	-	-
	<u>\$ 132,128,166</u>	<u>\$ 97,864,638</u>	<u>\$ 32,324,422</u>	<u>\$ 1,939,106</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 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, 2016. 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 Ohio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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

Dayton Metro Library
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments (continued)

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.”

Concentration of Credit Risk: 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.

At December 31, 2016 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 2.4%, 22.2%, 18.7%, 13.1%, and 29.2% 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 State allocates PLF to each county based on the total tax revenue credited to the State’s general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distribution made from January-June of the subsequent year. During 2016, the Library received \$15,271,478 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 2016 for real and public utility property taxes represent collections of 2015 taxes.

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

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.

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. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016 and are collected in 2017 with real property taxes.

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 6 – Property Taxes

The full tax rate for the Library for the year ended December 31, 2016 was \$3.31 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	\$6,478,490,140
Public Utility Personal Property	<u>342,794,560</u>
Total	<u>\$6,821,284,700</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 2016, 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	\$ 80,118,470
Westfield Insurance	EDP Property	1,279,323
Westfield Insurance	Books & Audio Visual	17,714,000
Westfield Insurance	Rare Books	1,524,584
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
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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
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
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 - Defined Benefit Pension Plans (continued)

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

	<u>State and Local Employees</u>
2016 Statutory Maximum Contribution Rates	
Employer	14.00%
Employee	10.00%
2016 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 \$1,938,435 for year 2016.

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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have twenty years or more 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.

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 10 – Post-employment Benefits (continued)

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 CAFR for details.

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 2016, 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, 2016, 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, 2016, 2015, and 2014 were \$276,919, \$271,241, and \$268,956, respectively; 100 percent has been contributed for 2016, 2015, and 2014.

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 \$389,106 to pay lease costs for the year ended December 31, 2016. Future lease payments are as follows:

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 11 – Operating Leases (continued)

Year	Amount
2017	304,107
2018	81,392
2019	83,834
2020	86,349
2021	36,421
Total	\$ 592,103

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

Huber Heights – For fiscal year 2016, lease expense amounted to \$179,386. 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.

Moraine – The Library leases space to provide Outreach Services. The lease expense for 2016 amounted to \$82,159. The current lease agreement expires on April 30, 2021.

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 2016, lease expense amounted to \$23,400. The current lease agreement expires on June 30, 2017.

Temporary Storage of Special Collections – For fiscal year 2016, lease expense amounted to \$66,000. The current lease agreement expires on February 28, 2017.

Temporary Construction Management Office – For fiscal year 2016, lease expense amounted to \$13,251. The current lease agreement expires May 31, 2017.

Temporary Genealogy Center – For fiscal year 2016, lease expense amounted to \$4,400. The current lease agreement expires May 31, 2017.

Parking Spaces – The Library leases parking spaces for the employees of the Operations Center. The current lease agreement expires May 31, 2017.

Note 12 – Interfund Transfers

During 2016, the general fund transferred \$52,948 to the Computer Fund for the purchase of a future generation

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 12 – Interfund Transfers (continued)

of Library Information Systems. The Computer Fund is reported within Other Governmental Funds in the accompanying financial statements.

Additionally, the General Fund transferred \$169,744 to the Future Employee Compensation Fund to provide for future payouts of Sick/Vacation balances upon employee retirements. The Future Employee Compensation Fund is reported with the General Fund in the accompanying financial statements. The transfer in and transfer out were reversed for reporting purposes.

Note 13 – Encumbrances:

Below is a schedule of encumbrances at year-ended December 31, 2016:

Fund	Year End Encumbrances
General Fund	\$ 1,378,952
Building & Repair Fund	37,825
Construction - Exempt	25,713,913
Total	\$ 27,130,690

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.

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.

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 14 –Long Term Debt (continued)

The library’s long-term debt activity for the year ended December 31, 2016, was as follows:

	Balance Outstanding 12/31/15	Additions	Reductions	Balance Outstanding 12/31/16	Due Within One Year
General Obligation Library Improvement Bonds, Series 2013:					
Taxable Bonds .25 - 2.59%	34,280,000	\$ -	\$ 5,230,000	\$ 29,050,000	\$ 5,280,000
Tax Exempt Bonds 3.255 - 5.00%	135,000,000	-	-	135,000,000	-
Total long term obligations	<u>\$ 169,280,000</u>	<u>\$ -</u>	<u>\$ 5,230,000</u>	<u>\$ 164,050,000</u>	<u>\$ 5,280,000</u>

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

Fiscal Year Ending	Principal	Interest	Total
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	5,640,000	5,982,073	11,622,073
2022-2026	30,745,000	26,997,238	57,742,238
2027-2031	37,980,000	19,752,550	57,732,550
2032-2036	46,515,000	11,227,763	57,742,763
2037-2038	21,595,000	1,501,237	23,096,237
Total	<u>\$ 164,050,000</u>	<u>\$ 90,386,872</u>	<u>\$ 254,436,872</u>

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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, 2016:

Dayton Design Collaborative	\$ 3,359,314
RW Setterlin Building Company	2,402,245
APG Office Furnishings	1,720,002
Performance Contracting	1,611,995
ESI Inc	1,523,394
Chapel Romanoff Technologies	1,425,696
Shook Construction	1,398,542
Mark Spaulding	1,271,894
Hemm's Glass Company	1,188,410
Geiger & Peters	1,117,194
Starco Inc	1,111,502
ADEX International Only Lib	910,008
Skanska ATCS	569,008
Patterson Pope	538,059
Kelchner Inc	498,741
Baker Concrete Construction	447,427
Business Furniture LLC	438,092
Palmieri Furniture/Only Libraries	344,741
Perry Interiors	340,809
ASI	324,941
Vancon Inc	296,515
Comtek Interiors	281,309
Ardit Company	272,665
Frye Mechanical Inc	250,676
Dalmatian Fire Inc	229,079
Kerkan Roofing	228,683
Omni Firproofing Co	206,354
Miscellaneous Commitments*	1,406,618
Total	<u><u>\$ 25,713,913</u></u>

Dayton Metro Library
Montgomery County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 – Contractual Commitments (continued)

*These commitments are individually less than \$200,000 at fiscal year ended December 31, 2016.

Note 16 – Change in Accounting Principles:

For the fiscal year ended December 31, 2016, the Library has implemented Governmental Accounting Standards Board (GASB) Statement no. 77, Tax Abatement Disclosures.

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Library.

Note 17 – Tax Abatements:

Other governments entered into property tax abatement agreements with Montgomery County within the taxing districts of the Library. The tax abatement agreements are a direct incentive tax exemption program benefiting property owners and businesses. Within the taxing districts of the Library, Montgomery County has entered into numerous such agreements. Under these agreements, the Library's property taxes were reduced by approximately \$365,277. The Library is not receiving any amounts from Montgomery County in association with the foregone property tax revenue.

OHIO AUDITOR OF STATE KEITH FABER



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

Dayton Metro Library
Montgomery County
215 East Third Street
Dayton, Ohio 45402

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dayton Metro Library, Montgomery County, (the Library) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated January 29, 2019, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

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Compliance and Other Matters

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

Purpose of this Report

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

Library's Response to Finding

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Library's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.



Keith Faber
Auditor of State
Columbus, Ohio

January 29, 2019

**DAYTON METRO LIBRARY
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness

The Library's Trust and Endowment funds report the balances of their trusts and endowments and are presented within Other Governmental Funds in the accompanying financial statements.

At December 31, 2017 and 2016, the Library's Trust fund balance was \$174,110 and \$173,091, respectively. The balances were classified as restricted for trust on the Statement of Assets and Fund Balances – Modified Cash Basis.

At December 31, 2017 and 2016, the Library's Endowment fund balance was \$254,188 and \$252,700, respectively. Of those amounts, \$6,700 was reported as nonspendable: endowment – principal and the remaining \$247,488 and \$246,000 at December 31, 2017 and 2016, respectively, was reported as restricted for endowment – spendable on the Statements of Assets and Fund Balances – Modified Cash Basis.

The Library did not separately track receipts, disbursements, and balances for individual trusts and endowments.

The Library should implement procedures to track receipts, disbursements, and balances for individual trusts and endowments. Failure to separately account for trusts and endowments could lead to the Library expending money for unallowable purposes or expending the non-expendable portion of an endowment, lack of clarity related to actual individual balances, and potential material misstatements within the financial report.

Officials' Response:

The Library was unable to locate records pertaining to these Trust/Endowment Funds, dating back as far as 1917. To permanently resolve this issue the Library will meet with legal counsel to develop a plan to address the balances in both the Trust and the Endowment accounts. In the future, the Library will maintain exact records for each Endowment/Trust and track all revenue and expenses related to each Endowment.

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OHIO AUDITOR OF STATE KEITH FABER



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
FEBRUARY 12, 2019**