

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY, OHIO**

Basic Financial Statements – Modified Cash Basis  
December 31, 2013  
with Independent Auditors' Report





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Dayton Metro Library, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 14, 2014

**This page intentionally left blank.**

**TABLE OF CONTENTS**

Independent Auditors' Report ..... 1-2

Management's Discussion and Analysis..... 3-10

Statement of Net Position – Modified Cash Basis .....11

Statement of Activities – Modified Cash Basis.....12

Statement of Assets and Fund Balances – Modified Cash  
Basis – Governmental Funds.....13

Statement of Cash Receipts, Disbursements and Changes in  
Fund Balances – Modified Cash Basis – Governmental Funds .....14

Statement of Receipts, Disbursements and Changes in Fund Balance –  
Budget and Actual (Budget Basis) – General Fund.....15

Statement of Fiduciary Net Position – Modified Cash Basis – Fiduciary Funds.....16

Notes to the Basic Financial Statements ..... 17-32

Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards* ..... 33-34

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Dayton Metro Library (the Library), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with, as discussed in Note 2, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net cash position of the governmental activities, each major fund and the aggregate remaining fund information of the Dayton Metro Library as of December 31, 2013, and the respective changes in net cash position and, the respective budgetary comparison for the General Fund for the year then ended in accordance with the basis of accounting described in Note 2.

14 east main street, ste. 500  
springfield, oh 45502

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

## **Emphasis of Matter**

### *Basis of Accounting*

We draw attention to Note 2 of the accompanying financial statements which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Other Matters**

### *Other Information*

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2014 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Springfield, Ohio  
June 11, 2014

**Dayton Metro Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

---

The management's discussion and analysis of the Dayton Metro Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2013 within the limitations of the Library's modified cash basis of accounting (see Note 2). The intent of the management's discussion and analysis is to examine the Library's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

### **Financial Highlights**

Key financial highlights for 2013 are as follows:

- In 2013 the Dayton Metro Library issued \$187,000,000 of General Obligation (Unlimited Tax General Obligation) Library Improvement Bonds for the replacement or renovation of all Dayton Metro Library branches and Main Library.
- Net position of governmental activities increased \$196,496,552, or 603%. However, \$193,790,376 of that increase was due to receipts from the Series 2013 General Obligation Library Improvement Bonds, and those funds are reserved for construction or debt service. Consequently, an analysis of General Fund receipts and disbursements would be a better indicator of the financial health of the Library.
- General Fund receipts and other sources increased by \$1,209,823 and disbursements and other uses increased by \$797,287. Combined those increased the Net Change in the General fund balance by \$412,536 or 15.4%.
- At the end of the fiscal year, the unassigned fund balance in the General fund was \$19,727,089.

### **Using This Annual Financial Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's modified cash basis of accounting.

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

### **Financial Report Components**

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

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



**Dayton Metro Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

---

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

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid, presents segregated investment portfolios, and records the carrying value of the segregated investments portfolios at quoted market values, including accrued interest.

As a result of using the modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Library as a Whole**

The statement of net position and the statement of activities reflect how the Library did financially during 2013, within the limitations of modified cash basis accounting. The statement of net position presents the balances of pooled cash and cash equivalents and investments in segregated accounts of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well, such as the Library's property tax base, the condition of the Library's capital assets, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

The statement of net position and the statement of activities are comprised of governmental activities only:

Governmental activities – The Library's services, support services and capital outlay are reported here. Property and other local taxes and government grants-in-aid finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Dayton Metro Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

---

**Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are split into two categories: governmental and fiduciary.

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

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

**The Library as a Whole**

Table 1 provides a summary of the Library's net position for 2013 compared to 2012 on a modified cash basis:

(Table 1)  
 Net Position

	Governmental Activities		
	2013	2012	Increase (Decrease)
Assets			
Pooled Cash and Cash Equivalents	\$ 26,229,163	\$ 32,578,189	\$ (6,349,026)
Investments in Segregated Accounts	202,845,578	-	202,845,578
Total Assets	<u>\$ 229,074,741</u>	<u>\$ 32,578,189</u>	<u>\$ 196,496,552</u>
Net Position:			
Restricted	\$ 194,207,831	\$ 416,279	\$ 193,791,552
Unrestricted	34,866,910	32,161,910	2,705,000
Total Net Position	<u>\$ 229,074,741</u>	<u>\$ 32,578,189</u>	<u>\$ 196,496,552</u>

**Dayton Metro Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

Table 2 reflects the changes in net position in 2013 and 2012 for governmental activities.

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

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>Receipts:</b>		
Program Receipts:		
Charges for Services and Sales	\$ 663,697	\$ 669,001
Operating Grants and Contributions	47,021	104,777
Total Program Receipts	<u>710,718</u>	<u>773,778</u>
General Receipts:		
Property Taxes Levied for General Purposes	10,646,236	10,739,697
Property Taxes Levied for Debt Service	9,489,050	-
Unrestricted Gifts and Contributions	1,340,193	17,223
Sale of Capital Assets	23,585	27,872
Grants and Entitlements Not Restricted to Specific Programs	17,830,649	16,368,092
Proceeds from Debt Issuance	198,510,831	-
Interest	376,089	207,102
Miscellaneous	102,661	44,043
Total General Receipts	<u>238,319,294</u>	<u>27,404,029</u>
Total Receipts	<u>239,030,012</u>	<u>28,177,807</u>
<b>Disbursements:</b>		
Library Services:		
Public Service and Programs	16,117,433	15,393,305
Collection Development and Processing	5,242,715	5,073,937
Support Services:		
Facilities Operation and Maintenance	454,475	541,301
Information Services Support	879,535	833,181
Business Administration	3,524,794	3,094,897
Capital Outlay	2,870,188	668,035
Debt Service:		
Principal Retirement	7,350,000	-
Interest and Fiscal Charges	4,919,130	-
Financing Fees and Costs	1,175,190	-
Total Disbursements	<u>42,533,460</u>	<u>25,604,656</u>
Increase in Net Position	196,496,552	2,573,151
Net Position January 1	<u>32,578,189</u>	<u>30,005,038</u>
Net Position, December 31	<u>\$229,074,741</u>	<u>\$32,578,189</u>

**Dayton Metro Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

---

As mentioned previously, net position of governmental activities increased \$196,496,552 or 603% during 2013. However, 98.6% of that increase was in restricted funds. On the other hand, unrestricted funds increased by \$2,705,000 (8.4%) from the amount reported in the prior year, primarily within the general fund.

In 2013, total receipts increased by \$210,852,205 or 748.3%. However, bond proceeds and premiums and taxes levied to pay the debt service on those bonds accounted for 98.6% of that increase. An anonymous bequest of \$1,311,444 accounts for significant increase reported in unrestricted gifts and contributions for 2013 compared to 2012.

Disbursements in 2013 increased by \$16,928,804 or 66.1%. However, \$15,716,049 (92.8%) of that increase was for required debt service on the Series 2013 General Obligation Library Improvement Bonds and capital outlay associated with the construction project. The remainder was primarily for wages and benefits for employees.

**Governmental Activities**

A comparison between the total cost of services and the net cost of services for 2013 and 2012 is presented in Table 3. It should be noted that debt service and construction project capital outlay expenditures have been removed from this table to ensure comparability.

(Table 3)

**Governmental Activities**

	<b>2013</b>		<b>2012</b>	
	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>
Library Services:				
Public Service and Programs	\$ 16,117,433	\$ (15,518,246)	\$15,393,305	(\$14,769,025)
Collection Development and Processing	5,242,715	(5,238,858)	5,073,937	(5,003,640)
Support Services:				
Facilities Operation and Maintenance	454,475	(454,475)	541,301	(541,301)
Information Services Support	879,535	(771,861)	833,181	(753,980)
Business Administration	3,524,794	(3,524,794)	3,094,897	(3,094,897)
Capital Outlay	598,459	(2,271,729)	668,035	(668,035)
<b>Total</b>	<b>\$26,817,411</b>	<b>(\$27,779,963)</b>	<b>\$25,604,656</b>	<b>(\$24,830,878)</b>

If you look at the table above, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public service and programs which accounts for 60.1% of all governmental disbursements shown in Table 3 as well as for collection development and processing services which accounted for another 19.5%. These two categories, classified as Library Services, reported an increase of \$892,906 ( 4.4%) compared with 2012 amounts, attributable primarily to increases in wages and benefits for personnel reported within each category. The increase in Business Administration category resulted from additional ancillary expenditures necessary for the construction project as well as from increases in wages and benefits for personnel.

**Dayton Metro Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

---

***The Library's Funds***

As illustrated on the Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Governmental Funds on page 14, total governmental funds had receipts of \$40,495,596 and disbursements of \$42,533,460 which yielded disbursements in excess of receipts of \$2,037,864. However, another \$198,534,416 was received as other financing sources from the Series 2013 Bond Issue; yielding a positive \$196,496,552 net change in governmental fund balances.

Examining the change in the balance of the General Fund provides us with a better measure of the Library's financial health, because the General Fund is the chief operating fund of the Library. General Fund receipts were \$29,261,472 and disbursements were \$26,072,444 generating a positive impact on the General Fund balance of \$3,189,028 before transfers to other funds and the sale of capital assets. \$1,311,444 of that increase was due to an anonymous bequest which the Board of Trustees has set aside for facilities improvements, including art work and other enhancements to the new library facilities. Without the impact of that bequest, the General Fund excess of receipts over disbursements would still be \$1,877,584 or a 9.1% increase over the fund balance reported for the previous year.

As illustrated on the Statement of Assets and Fund Balances – Governmental Funds on page 13, at the end of the current year, unassigned fund balance of the General Fund was \$19,727,089, while the total General Fund balance reached \$23,724,908. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 75.7% of total General Fund disbursements reported for 2013, while total fund balance represents 91.0% of that same amount.

**General Fund Budgeting Highlights**

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

As illustrated on the Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – General Fund on page 15, final receipts were budgeted at \$27,523,844 while actual receipts were \$29,255,645. The difference between final budgeted receipts and actual receipts was \$1,731,801, or 6.3%, with the majority of the difference being the large unbudgeted bequest received in 2013.

Final disbursements were budgeted at \$28,062,752 while actual budgetary disbursements were \$27,012,837. The Library kept spending below budgeted amounts as demonstrated by the reported variances. In addition, the Library made \$53,612 in transfers from the general fund to other governmental funds. Salaries and benefits increased by \$527,951 or 3.0% over 2012. Library material expenditures increased by \$43,124 or 1.1% over 2012.

**Capital Assets**

The Library does not report capital assets on its financial statements. The Library does keep track of its capital assets and infrastructure independently. The Library uses a separate software package to accomplish this task.

**Dayton Metro Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

---

**Debt**

In November of 2012, voters approved a 1.56 mill general revenue bond issue. In March of 2013, the Library issued \$187,000,000 of General Obligation (Unlimited Tax General Obligation) Library Improvement Bonds for the replacement or renovation of all Dayton Metro Library branches as well as the Main Library building. The Series 2013 bond issue consisted of \$135,000,000 of tax-exempt bonds and \$52,000,000 of taxable bonds. Those funds were received into the Tax-Exempt Construction Fund and Taxable Construction Fund correspondingly. The Tax-Exempt issues were sold at a premium of \$11,510,831, and \$9,684,402 remained after paying for issuance costs, and that was deposited in the Debt Service Fund as required by Ohio Revised Code. For detailed information about the bonds, see the Bond Debt Service schedule in Note 15.

**Current Issues**

Each of Ohio's 251 public libraries systems recognized by the State of Ohio receives a significant portion of their revenues from funds distributed by the Public Library Fund (PLF). Beginning with the 2008/2009 state budget, the Public Library Fund, as defined by Ohio Revised Code, received 2.22% of the State's total general fund (GRF) tax receipts to redistribution to Ohio's public libraries. However, that formula was put on hold as the State attempted to balance its budget as a result of the recession in the 2010/2011 budgets with distributions reduced to 1.97% of GRF. In the 2012/13 biennial budgets the distributed funds were reduced by an additional 5% from the 2010/2011 funding levels. Additionally, budget language transferred funding from the PLF to fund two library agencies of the State. With funding for the Ohio Public Library Information Network (OPLIN) and the state's Library Services for the Blind and Physically Handicapped (LSBPH) removed, the total reductions from the prior budget averaged about 6.2%.

2014-2015 budget legislation passed in the June 2013 incorporated a number of changes to tax code including changes that affected public library funding. The legislation that implemented those changes to tax policy outlined in the prior budget included returning the PLF to a formula representing approximately 1.56% of the State's General Revenue Fund tax collections. The Department of Taxation originally projected increases to the PLF distribution of 4.1% and 3.0% respectively in the two years of the fiscal budget. Actual GRF revenue increases for first months of fiscal year 2014 have not materialized as originally projected. Consequently PLF distributions for Calendar Year 2014 are anticipated to be 3.1% less than actual calendar year 2013 receipts.

Library operations have been partially insulated from declines in state support by the 1.75 mil operating levy approved by voters in 2009. This local support dropped due to the triennial reassessment of property values in Montgomery County in 2011, effective for tax collections in 2012 through 2014. It will likely drop again in 2015 due to lower property values in the 2014, sexennial revaluation.

Local property tax receipts are expected to stay stable for calendar year 2014. Triennial property valuation adjustments for Montgomery County completed in 2011 lowered the value of properties in the Dayton Metro Library taxing district by nearly 8%, leading to a corresponding drop in property tax revenues. In his December 2013 Update to Local Governments County Auditor Karl Keith warned that significant drops in property values are likely in the sexennial revaluation scheduled for 2014.

State funding represented 49.2% of library funding in 2013 as opposed to 50.2% of funding in 2012. As recently as 1999, 87.6% of total library funding was through the State of Ohio.

**Dayton Metro Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

---

Expenditures for human resources, will be somewhat higher in 2014 than 2013. Most of this increase is a direct consequence of the three-year collective bargaining agreement reached with the Dayton Metro Library Staff Association (DMLSA); the deemed authorized representatives of approximately 245 full and part time employees. The agreement reached with DMLSA provided a 3% pay raise, retroactive to July 1, 2012. As the agreement was not reached until after January 1, 2013, the retroactive pay was posted as 2013 expenditures. Also one time cash payments also agreed to in the revised contract were not paid out until 2013, further increasing 2013 payroll obligations over 2012 payouts.

General fund expenditures for non-personnel areas of the budget – such as supplies, library materials, fixed assets, technology, etc. - are expected to increase by 38.5% for 2014,

As already summarized in this management discussion, in December 2013 additional funds were transferred from the General fund to the Sustainability Fund. This continues the practice to build up sufficient reserves to be drawn upon to supplement revenues in future years. The funds in the Sustainability Fund may be drawn upon for expenditures in the General Fund in years when expenditures are anticipated to exceed revenues.

A significant capital building initiative is currently underway and the Board of Trustees authorized the placement of a capital improvement bond issue before voters on November 6, 2012. The issue passed by a margin of 62.2%. The proposed facilities plan also calls for the reduction in the total number of branches and provides for the construction of up to eleven new branches to replace 15 inefficient and costly branches. Four other branches will be expanded and/or renovated to improve service and increase efficiency. While it is not anticipated to affect the 2014 general fund budget, the operating budgets for 2016-2018 will likely benefit from reduced operating costs as a consequence of the construction and renovation of its branch facilities beginning in 2016. Main library operation costs are expected to drop significantly during the renovation and expansion of that facility but will increase significantly as the new building is opened in 2016.

To augment the funding from the bond issue, the library anticipates some additional expenditures from the Building and Repair Fund for the acquisition and development of new properties. The specific amounts needed for new property acquisition is unknown as is any residual revenues from property and building disposal but the next reduction of the fund is anticipated to be less than \$5,000,000 leaving more than half of the current balance intact upon completion of all projects in 2017.

### **Contacting the Library's Financial Management**

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

**Dayton Metro Library**  
*Montgomery County*  
*Statement of Net Position - Modified Cash Basis*  
*December 31, 2013*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 25,811,707
Restricted Assets:	
Cash and Cash Equivalents	417,456
Investments in Segregated Accounts	202,845,578
<i>Total Assets</i>	\$ 229,074,741
 <b>Net Position</b>	
Restricted for:	
Construction Projects	\$ 184,942,922
Debt Service	8,847,453
Endowment - Nonspendable	6,700
Endowment - Spendable	241,054
Trust	169,702
Unrestricted	34,866,910
<i>Total Net Position</i>	\$ 229,074,741

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, 2013*

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
Library Services:				
Public Service and Programs	\$ 16,117,433	\$ 555,622	\$ 43,565	\$ (15,518,246)
Collection Development and Processing	5,242,715	401	3,456	(5,238,858)
Support Services:				
Facilities Operation and Maintenance	454,475	-	-	(454,475)
Information Services Support	879,535	107,674	-	(771,861)
Business Administration	3,524,794	-	-	(3,524,794)
Capital Outlay:				
Construction Project	2,271,729	-	-	(2,271,729)
Other	598,459	-	-	(598,459)
Debt Service:				
Principal Retirement	7,350,000	-	-	(7,350,000)
Interest and Fiscal Charges	4,919,130	-	-	(4,919,130)
Financing Fees and Costs	1,175,190	-	-	(1,175,190)
<i>Total Governmental Activities</i>	<u>42,533,460</u>	<u>663,697</u>	<u>47,021</u>	<u>(41,822,742)</u>
<b>General Receipts</b>				
Property Taxes Levied for General Purposes				10,646,236
Property Taxes Levied for Debt Service				9,489,050
Unrestricted Gifts and Contributions				1,340,193
Grants and Entitlements not Restricted to Specific Programs				17,830,649
Bonds Issued				187,000,000
Premium on Debt Issue				11,510,831
Sale of Capital Assets				23,585
Earnings on Investment				376,089
Miscellaneous				102,661
<i>Total General Receipts</i>				<u>238,319,294</u>
Change in Net Position				196,496,552
<i>Net Position Beginning of Year</i>				<u>32,578,189</u>
<i>Net Position End of Year</i>				<u>\$ 229,074,741</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, 2013*

	General	Debt Service	Building & Repair Fund	Construction Taxable	Construction Exempt	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$ 23,724,908	\$ -	\$ 1,889,779	\$ -	\$ 32,000	\$ 165,020	\$ 25,811,707
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	-	-	-	-	-	417,456	417,456
Investments in Segregated Accounts	-	8,847,453	9,087,203	52,066,117	132,844,805	-	202,845,578
<i>Total Assets</i>	<u>\$ 23,724,908</u>	<u>\$ 8,847,453</u>	<u>\$ 10,976,982</u>	<u>\$ 52,066,117</u>	<u>\$ 132,876,805</u>	<u>\$ 582,476</u>	<u>\$ 229,074,741</u>
<b>Fund Balances</b>							
Nonspendable:							
Endowment - Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,700	\$ 6,700
Restricted for:							
Endowment - Spendable	-	-	-	-	-	241,054	241,054
Trust	-	-	-	-	-	169,702	169,702
Debt Service	-	8,847,453	-	-	-	-	8,847,453
Construction Project	-	-	-	52,066,117	132,876,805	-	184,942,922
Committed to:							
Computer Co-op	-	-	-	-	-	165,020	165,020
Facility improvements	1,311,444	-	10,976,982	-	-	-	12,288,426
Assigned to:							
Future Purchase Commitments	942,328	-	-	-	-	-	942,328
Future Employee Compensation	1,744,047	-	-	-	-	-	1,744,047
Unassigned	19,727,089	-	-	-	-	-	19,727,089
<i>Total Fund Balances</i>	<u>\$ 23,724,908</u>	<u>\$ 8,847,453</u>	<u>\$ 10,976,982</u>	<u>\$ 52,066,117</u>	<u>\$ 132,876,805</u>	<u>\$ 582,476</u>	<u>\$ 229,074,741</u>

See accompanying notes to the basic financial statements

**Dayton Metro Library**  
*Montgomery County*  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General	Debt Service	Building and Repair Fund	Construction Taxable	Construction Exempt	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$ 10,646,236	\$ 9,489,050	\$ -	\$ -	\$ -	\$ -	\$ 20,135,286
Intergovernmental	16,386,877	1,443,772	-	-	-	-	17,830,649
Patron Fines and Fees	555,622	-	-	-	-	-	555,622
Services Provided to Other Entities	108,075	-	-	-	-	-	108,075
Contributions, Gifts and Donations	1,387,214	-	-	-	-	-	1,387,214
Earnings on Investments	74,787	1,029	4,934	87,113	206,432	1,794	376,089
Miscellaneous	102,661	-	-	-	-	-	102,661
<i>Total Receipts</i>	<u>29,261,472</u>	<u>10,933,851</u>	<u>4,934</u>	<u>87,113</u>	<u>206,432</u>	<u>1,794</u>	<u>40,495,596</u>
<b>Disbursements</b>							
Current:							
Library Services:							
Public Service and Programs	16,117,433	-	-	-	-	-	16,117,433
Collection Development and Processing	5,242,715	-	-	-	-	-	5,242,715
Support Services:							
Facilities Operation and Maintenance	454,475	-	-	-	-	-	454,475
Information Services	879,535	-	-	-	-	-	879,535
Business Administration	3,040,464	152,909	252,050	20,996	57,898	477	3,524,794
Capital Outlay	337,822	-	260,637	-	2,271,729	-	2,870,188
Debt Service:							
Principal Retirement	-	7,350,000	-	-	-	-	7,350,000
Interest and Fiscal Charges	-	4,919,130	-	-	-	-	4,919,130
Financing Fees and Costs	-	1,175,190	-	-	-	-	1,175,190
<i>Total Disbursements</i>	<u>26,072,444</u>	<u>13,597,229</u>	<u>512,687</u>	<u>20,996</u>	<u>2,329,627</u>	<u>477</u>	<u>42,533,460</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,189,028</u>	<u>(2,663,378)</u>	<u>(507,753)</u>	<u>66,117</u>	<u>(2,123,195)</u>	<u>1,317</u>	<u>(2,037,864)</u>
<b>Other Financing Sources (Uses)</b>							
Sale of Capital Assets	23,585	-	-	-	-	-	23,585
Sale of Bonds	-	-	-	52,000,000	135,000,000	-	187,000,000
Premium on Debt Issue	-	11,510,831	-	-	-	-	11,510,831
Transfers In	-	-	-	-	-	53,612	53,612
Transfers Out	(53,612)	-	-	-	-	-	(53,612)
<i>Total Other Financing Sources (Uses)</i>	<u>(30,027)</u>	<u>11,510,831</u>	<u>-</u>	<u>52,000,000</u>	<u>135,000,000</u>	<u>53,612</u>	<u>198,534,416</u>
<i>Net Change in Fund Balances</i>	<u>3,159,001</u>	<u>8,847,453</u>	<u>(507,753)</u>	<u>52,066,117</u>	<u>132,876,805</u>	<u>54,929</u>	<u>196,496,552</u>
<i>Fund Balances Beginning of Year</i>	<u>20,565,907</u>	<u>-</u>	<u>11,484,735</u>	<u>-</u>	<u>-</u>	<u>527,547</u>	<u>32,578,189</u>
<i>Fund Balances End of Year</i>	<u>\$ 23,724,908</u>	<u>\$ 8,847,453</u>	<u>\$ 10,976,982</u>	<u>\$ 52,066,117</u>	<u>\$ 132,876,805</u>	<u>\$ 582,476</u>	<u>\$ 229,074,741</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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 10,499,500	\$ 10,307,700	\$ 10,646,236	\$ 338,536
Other Government Grants-In-Aid	16,062,973	16,290,794	16,386,877	96,083
Patron Fines and Fees	580,000	590,000	555,622	(34,378)
Services Provided to Other Entities	80,350	80,350	108,075	27,725
Contributions, Gifts and Donations	100,000	100,000	1,387,214	1,287,214
Earnings on Investments	125,000	115,000	68,960	(46,040)
Miscellaneous	45,000	40,000	102,661	62,661
<i>Total Receipts</i>	<u>27,492,823</u>	<u>27,523,844</u>	<u>29,255,645</u>	<u>1,731,801</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Salaries and Benefits	19,057,316	18,457,316	18,157,617	299,699
Supplies	401,057	402,114	349,695	52,419
Purchased and Contract Services	4,259,512	4,370,512	4,162,331	208,181
Library Materials and Information	4,033,790	4,233,790	3,857,535	376,255
Other	476,510	121,000	90,417	30,583
Capital Outlay	110,500	478,020	395,242	82,778
<i>Total Disbursements</i>	<u>28,338,685</u>	<u>28,062,752</u>	<u>27,012,837</u>	<u>1,049,915</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(845,862)</u>	<u>(538,908)</u>	<u>2,242,808</u>	<u>2,781,716</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	30,000	25,000	23,585	(1,415)
Transfers Out	(100,000)	(53,612)	(53,612)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(70,000)</u>	<u>(28,612)</u>	<u>(30,027)</u>	<u>(1,415)</u>
<i>Net Change in Fund Balance</i>	(915,862)	(567,520)	2,212,781	2,780,301
<i>Prior Year Encumbrances Appropriated</i>	863,685	863,685	863,685	-
<i>Fund Balance Beginning of 2013</i>	17,962,069	17,962,069	17,962,069	-
<i>Fund Balance End of 2013</i>	<u>\$ 17,909,892</u>	<u>\$ 18,258,234</u>	<u>\$ 21,038,535</u>	<u>\$ 2,780,301</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, 2013*

---

---

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 18,144
<i>Total Assets</i>	<u>\$ 18,144</u>
<b>Net Position Held for Others</b>	<u>\$ 18,144</u>

See accompanying notes to the basic financial statements

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

---

---

**Note 1 – Description of the Library and Reporting Entity**

The Dayton Metro Library is organized as a county library under the laws of the State of Ohio. The Library has its own Board of Trustees consisting of seven members: four of whom are appointed by the Montgomery County Commissioners and three of whom are appointed by the Montgomery County Common Pleas Court Judges. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library and financial accountability being the responsibility of the Executive Director/Fiscal Officer.

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

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

The Friends of the Dayton Metro Library is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The economic resources received or held by the Friends of the Library are not significant to the Library. Therefore, this organization has been excluded from the reporting entity of the Library.

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

**Note 2 - Summary of Significant Accounting Policies**

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

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

---

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are divided into two categories, governmental and fiduciary.

**Governmental Funds**

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

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

---

---

**Note 2 – Summary of Significant Accounting Policies** (continued)

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio. This fund includes the Sustainability Fund and the Facilities Enhancement 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 15 for interest and bond repayment schedule.

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

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

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

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

**Fiduciary Funds**

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

**C. Basis of Accounting**

The Library's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section of this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.



**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

---

---

**Note 2 – Summary of Significant Accounting Policies** (continued)

**D. Budgetary Process**

All funds, (except agency funds), are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

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

**E. Cash and Cash Equivalents**

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

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." All investments of the cash management pool are presented on the financial statements as cash equivalents. Purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2013, the Library invested in STAR Ohio and STAR Ohio Plus. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2013.

**F. Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The \$417,456 in restricted assets reported relates to the trust and endowment accounts established under the intention of the contributors.

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

---

---

**Note 2 – Summary of Significant Accounting Policies** (continued)

**G. Investments in Segregated Accounts**

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund, Debt Service Fund, Building and Repair Fund, Taxable Construction Fund, Exempt Construction Fund, and Other Governmental Funds during 2013 amounted to \$74,787, \$1,029, \$4,934, \$87,113, \$206,432, and \$1,794, respectively.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements. Capital outlay totaled \$2,870,188 for the year, with \$2,271,729 reported within the construction project funds.

**I. Collections**

The collections (materials including books, periodicals, audio visual, etc.) are not recognized as assets in the statements of net position. Purchases of collection items are expensed and recorded as a decrease in unrestricted net position in the year in which the items are acquired (of which approximately \$3.4 million and \$3.3 million were acquired in 2013 and 2012, respectively). Contributed collection items are not reflected in the financial statements. Proceeds from the sale of collections or insurance recoveries are reflected as revenue resulting in an increase in unrestricted net position.

**J. Fund Balance**

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

**Nonspendable** - The Library classifies assets as nonspendable when legally or contractually required to maintain the amounts intact. The Library analyzed the Endowment funds to properly determine the portion of the Endowment that is nonspendable due to donors' permanent restriction and the portion that may be spent. Accordingly, the endowment has been split between nonspendable and restricted for 2013.

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

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

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

---

---

**Note 2 – Summary of Significant Accounting Policies** (continued)

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

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

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Net Position**

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

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

**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. The Library uses interfund transfers to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

---

---

**Note 3 – Change in Basis of Accounting**

During 2013, the Library changed the basis of accounting utilized for its financial reporting from the cash basis previously utilized to a modified cash basis of accounting which reports segregated investment portfolios. In addition, the segregated investments portfolios presented in the modified cash basis statements are carried at market value, which include accrued interest. Changes in the market value, whether positive or negative, are recorded through the interest receipt account within the applicable funds.

The change from the cash basis to the modified cash basis of accounting did not require the Library to restate the beginning net position, or individual fund balance, amounts previously reported.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the 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	\$ 3,159,001
Outstanding encumbrances	(941,971)
Separately budgeted funds	<u>(4,249)</u>
Change in fund balance – budgetary basis	<u>\$ 2,212,781</u>

**Note 5 – 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.

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

---

---

**Note 5 – Deposits and Investments** (continued)

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certificates of Deposits (CDs) properly insured through the FDIC or suitable collateralization, including the Certificate of Deposit Account Registry Services (CDARS). Effective March 4, 2006, the Ohio General Assembly created Ohio Revised Code 135.144 permitting the library to use the Certificate of Deposit Account Registry Services (CDARS). If the library purchases certificates of deposit for more than the FDIC limit, with a bank participating in CDARS, the bank "redeposits" the excess amounts with other participating institutions. Each bank accepts less than the FDIC limit so all deposits have FDIC coverage.
9. Commercial Paper and bankers acceptances if Ohio Revised Code training requirements have been met.

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

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

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2013

**Note 5 – Deposits and Investments** (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,771,393 of the Library's bank balance of \$2,281,620 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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

Investments

At December 31, 2013, 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	\$ 24,158,418	\$ 15,134,029	\$ 9,024,389	\$ -
Federal Home Loan Bank	49,991,068	15,595,452	32,136,335	2,259,281
Federal Home Loan Mortgage Corp.	56,880,182	19,449,317	36,682,924	747,941
Federal National Mortgage Assoc.	64,306,600	19,288,904	33,959,196	11,058,500
U.S. Treasury Security	21,224,411	2,789,958	18,434,453	-
Money Market Funds	7,308,942	7,308,942	-	-
STAR Ohio - Plus	3,936,706	3,936,706	-	-
	<u>\$ 227,806,327</u>	<u>\$ 83,503,308</u>	<u>\$ 130,237,297</u>	<u>\$ 14,065,722</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.

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

---

---

**Note 5 – Deposits and Investments** (continued)

*Credit Risk:* Investments in Federal Agencies were rated AA+ by Standard and Poor's at December 31, 2013. The money market carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. The Library's investment policy limits investments to those authorized by State statute.

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

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

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

*Concentration Risk:* At December 31, 2013 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 10.6%, 21.9%, 25.0%, 28.2%, and 9.3% of total investments, respectively.

**Note 6 – Public Library Fund**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF is allocated to each county based on the county's prior intangibles tax of PLF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives. During 2013, the Library received \$14,397,412 from this funding source.

**Note 7 – 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 2013 for real and public utility property taxes represent collections of 2012 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of the appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

**Note 7 – Property Taxes** (continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013 and are collected in 2014 with real property taxes.

The full tax rate for the Library for the year ended December 31, 2013 was \$3.31 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2013 property tax receipts were based are as follows:

Real Property	\$6,868,353,210
Public Utility Personal Property	<u>303,929,200</u>
Total	<u>\$7,172,282,410</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 8 - 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 2013, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Westfield Insurance	Building & Contents	\$ 61,108,261
Westfield Insurance	EDP Property	2,229,041
Westfield Insurance	Books & Audio Visual	22,149,138
Westfield Insurance	Rare Books	701,425
Westfield Insurance	Third Party Property	5,000/Person 50,000/Occurance
Westfield Insurance	Extra Expense (blanket)	3,000,000
Cincinnati Insurance	Public Officials	5,000,000
Westfield Insurance	Boiler & Machinery	25,000,000
Westfield Insurance	Automobile	1,000,000
Westfield Insurance	General Liability, (each occurrence)	1,000,000
Westfield Insurance	General Liability, (agg)	2,000,000

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

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



**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

---

---

**Note 9 - Defined Benefit Pension Plan**

Plan Description - The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than the traditional benefit plan. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opersorg/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2013, members in state and local classifications contributed 10.0 percent of covered payroll.

The Library's contribution rate for 2013 was 14.0 percent of covered payroll. For the period January 1, through December 31, 2013, a portion of the Library's contribution equal to 1.0 percent of covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14 percent.

The Library's required contributions for pension obligations to the traditional, combined, and member-directed plans for the years ended December 31, 2013, 2012, 2011 were \$1,674,671, \$1,262,412, and \$1,316,496 respectively. The full amount has been contributed for 2013, 2012 and 2011.

**Note 10 – 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 11 – 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.

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

---

---

**Note 11 – Post-employment Benefits** (continued)

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

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

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 2013, 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, 2013, a portion of the Library's contribution equal to 1.0 percent of covered payroll was allocated to fund the post-employment healthcare plan. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary.

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, 2013, 2012, and 2011 were \$128,821, \$504,965, and \$526,598, respectively; 100 percent has been contributed for 2013, 2012, and 2011.

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 1 percent of the employer contributions toward the health care fund after the end of the transition period.

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

**Note 12 – Operating Leases**

The Library leases buildings and other equipment under non-cancelable leases. The Library disbursed \$264,484 to pay lease costs for the year ended December 31, 2013. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2014	244,803
2015	247,310
2016	29,485
Total	<u>\$ 521,598</u>

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

Huber Heights – For fiscal year 2013, lease expense amounted to \$154,535. The current lease agreement expires on December 31, 2015, with two renewal options for terms of ten years through December 31, 2035.

Moraine – The Library leases space to provide Outreach Services. The lease expense for 2013 amounted to \$82,568. The current lease agreement expires on April 30, 2016.

Northmont – The City of Englewood leases a building to the Library for which the Library is responsible for occupancy costs such as electric, gas and maintenance. Because the agreement does not include a base rent and occupancy costs can vary, those costs are not included in the above table of future lease payments. Occupancy costs are approximately \$27,000 annually.

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

**Note 13 – Interfund Transfers**

The general fund transferred \$53,612 to the Computer fund for the purchase of a future generation of Library Information Systems.

**Note 14 – Encumbrances:**

Below is a schedule of encumbrances at year-ended December 31, 2013:

<u>Fund</u>	<u>Year End Encumbrances</u>
General Fund	\$ 942,326
Debt Service	795
Building & Repair Fund	87,163
Construction - Taxable	11,004
Construction - Exempt	7,163,134
Other Governmental Funds	<u>254</u>
Total	<u>8,204,676</u>

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

**Note 15 –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.

The library's long-term debt activity for the year ended December 31, 2013, was as follows:

	Balance Outstanding 12/31/12	Additions	Reductions	Balance Outstanding 12/31/13	Due Within One Year
General Obligation Library Improvement Bonds, Series 2013:					
Taxable Bonds .25 - 2.59%	\$ -	\$ 52,000,000	\$7,350,000	\$ 44,650,000	\$ 5,170,000
Tax Exempt Bonds 3.255 - 5.00%	-	135,000,000	-	135,000,000	-
Total long term obligations	<u>\$ -</u>	<u>\$ 187,000,000</u>	<u>\$7,350,000</u>	<u>\$ 179,650,000</u>	<u>\$ 5,170,000</u>

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

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 5,170,000	\$ 6,451,464	\$ 11,621,464
2015	5,200,000	6,426,131	11,626,131
2016	5,230,000	6,394,411	11,624,411
2017	5,280,000	6,345,249	11,625,249
2018	5,345,000	6,280,305	11,625,305
2019-2023	28,185,000	29,784,180	57,969,180
2024-2028	33,295,000	24,446,313	57,741,313
2029-2033	41,330,000	16,400,925	57,730,925
2034-2038	50,615,000	7,129,900	57,744,900
Total	<u>\$ 179,650,000</u>	<u>\$ 109,658,878</u>	<u>\$ 289,308,878</u>

**Dayton Metro Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

---

---

**Note 16 –Subsequent Events**

As of December 31, 2013, The Dayton Metro Library had not yet begun awarding bids for construction for the Libraries for Tomorrow Project, although design work was well under way. As of May 31, 2014, additional design work had been completed, sites had been acquired for some of the new buildings, and construction and other contracts had been awarded. The following amounts had been encumbered for those new projects:

Construction	\$ 20,939,839
Consulting and Project Management	3,618,667
Design	8,025,128
Site Acquisition	1,450,246
Total	<u>\$ 34,033,880</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dayton Metro Library (the Library), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated June 11, 2014, wherein we noted the Library reported on a modified cash basis of accounting.

**Internal Control Over Financial Reporting**

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

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

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

14 east main street, ste. 500  
springfield, oh 45502

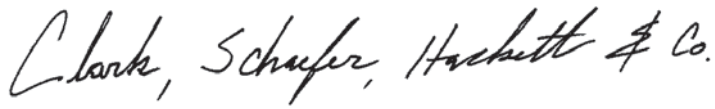
www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Handwritten signature in cursive script: Clark, Schaefer, Hackett & Co.

Springfield, Ohio  
June 11, 2014



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





# Dave Yost • Auditor of State

**DAYTON METRO LIBRARY**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 24, 2014**