



**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2005**



**Auditor of State  
Betty Montgomery**



**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

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, Montgomery County, (the Library), as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 17, 2006

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

This 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, 2005, within the limitations of the Library's modified cash basis accounting. 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 2005 are as follows:

- The Library's net assets increased by \$6,382,778 or 94.1 percent.
- General receipts represent \$29,846,321 or 97 percent of the Library's total receipts, and of this amount, over 98 percent are property and other local taxes, and other government grants-in-aid.
- Program specific receipts in the form of charges for services and operating and capital grants and contributions represent \$1,008,260 or 3 percent of total receipts and are primarily comprised of charges for services and sales of \$760,469, and \$215,000 of capital grants and contributions supporting the purchase of a new bookmobile.
- The Library has two major funds: the General Fund and the Building and Repair Fund. The General Fund had \$30,786,616 in receipts and \$24,235,476 in disbursements. An additional \$3,212,086 in transfers to other funds resulted in an increase in the General Fund balance of \$3,339,054. The Building and Repair Fund had \$33,225 in receipts and also received fund transfers from the General Fund of \$3,000,000. The Building and Repair Fund had \$236,326 in disbursements that were for the roof replacement at two branches.
- The Library was able to transfer \$3,000,000 of Property tax revenue to the Building and Repair Fund. Future facilities projects such as expansion, replacement or relocation of branches, are anticipated to be financed from the Building and Repair Fund.

**Using the Basic Financial Statements**

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

**Report Components**

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the Library as a whole.

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

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

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**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.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (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**

**Statement of Net Assets and the Statement of Activities – Modified Cash Basis**

The Statement of Net Assets and the Statement of Activities reflect how the Library did financially during 2005, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments 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 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 and income taxes.

The Statement of Net Assets and the Statement of Activities are comprised of governmental activities only.

**Governmental activities:** 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  
MONTGOMERY COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole.

The Library maintains 6 (six) individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund and Building and Repair Fund. The General Fund and the Building and Repair Fund are the Library's major funds. Data from the other 4 (four) governmental funds are combined into a single, aggregate presentation.

The Library adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Governmental Funds**

Governmental funds focus on *current financial resources*. Accordingly, only financial assets are reported in governmental funds. *Assets* represent Cash or Cash Equivalents (short term, highly liquid investments readily convertible into cash). *Net Assets* represent the presentation of the Library's equity. Net Assets are divided into *restricted* and *unrestricted* components, with unrestricted net assets representing amounts considered available for new spending. Restricted funds represent Endowment.

Fund balance reserved represents *endowment and encumbrances*. Encumbrances represent commitments either in the form of contracts or purchase orders that will be fulfilled in a subsequent fiscal period. The Library incurs *no liability* until performance has occurred on the part of the party with whom the Library entered into the arrangement, but reserves those funds that represents the Library's intention to honor those outstanding commitments in subsequent periods.

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 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 nonmajor 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 two major governmental funds are the General Fund and the Building and Repair Fund. The programs reported in governmental funds are identical to those reported in the governmental activities section of the entity-wide statements.

**Fiduciary Funds**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary Funds are not reflected on the Library-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 benefit account.

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
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**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2004 compared to 2005 on a modified cash basis:

<b>Table 1 Net Assets</b>			
	<b>2005</b>	<b>2004</b>	<b>Increase (Decrease)</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$13,165,936	\$6,783,158	\$6,382,778
<b>Net Assets</b>			
Restricted	\$219,131	\$213,875	\$5,256
Unrestricted	12,946,805	6,569,283	6,377,522
Total Net Assets	\$13,165,936	\$6,783,158	\$6,382,778

As mentioned previously, net assets of governmental activities increased \$6,382,778 or 94.1 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- \$7,517,631 increase in Property and Other Local Taxes receipts collected during 2005 based on the successful passage of a Property tax levy during March 2004 that represented a .99 millage increase over the previous levy.
- \$1,048,702 increase in unrestricted grants and entitlements primarily due to funds reimbursed to the Library from the State of Ohio for Homestead and Rollback programs.
- \$252,348 increase in earnings on investments driven by higher investment rates and increase in interim cash available for investment.

**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.

Final receipts were budgeted at \$29,978,985 while actual receipts were \$30,786,616. The difference between final budgeted receipts and actual receipts was \$807,631.

Final disbursements were budgeted at \$33,126,044 while actual disbursements were \$30,639,812. The Library kept spending below budgeted amounts as demonstrated by the variances reported. The result is the increase of fund balance of \$146,804 for 2005.

Table 2 reflects the changes in net assets during 2005. Since the Library did not prepare financial statements in this level of detail for 2004, a comparative analysis of the government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Table 2  
Changes in Net Assets**

	<b>2005</b>
<b>Receipts:</b>	
<b>Program Cash Receipts:</b>	
Charges for Services and Sales	\$760,469
Operating Grants and Contributions	32,791
Capital Grants and Contributions	215,000
Total Program Cash Receipts	1,008,260
<b>General Receipts:</b>	
Property Taxes Levied for General Purposes	9,109,961
Grants and Entitlements not Restricted to Specific Programs	20,087,431
Unrestricted Gifts and Contributions	95,826
Earnings on Investments	357,997
Miscellaneous	195,106
Total General Receipts	29,846,321
Total Receipts	30,854,581
 <b>Cash Disbursements:</b>	
<b>Library Services:</b>	
Public Service and Programs	\$14,505,947
Collection Development and Processing	5,436,023
<b>Support Services:</b>	
Facilities Operations and Maintenance	315,834
Information Services Support	614,793
Business Administration	2,242,406
Capital Outlay	1,356,800
Total Disbursements	24,471,803
 Increase in Net Assets	 6,382,778
 Net Assets at Beginning of Year	 6,783,158
Net Assets at End of Year	\$13,165,936

The Library's general receipts are primarily property and other local taxes, and other government grants-in-aid. These receipts represent respectively 29.5 and 65.1 percent of the total cash received for the Library's activities during the year.

The Library received an LSTA grant totaling \$100,000 and other capital grants and contributions of \$115,000 to underwrite the cost of a new bookmobile and the purchase of public computer workstations.

Capital Outlay expenditures of \$1,356,800 were primarily on new library furnishings, including shelving and computer hardware and software, and the purchase of a new bookmobile.

The Governmental Fund Statement of Cash Receipts, Disbursements and Changes in Fund Balances (Modified Cash Basis) is a basic statement of activities for the governmental funds. The General Fund is the chief operating fund of the Library. Total General Fund receipts exceeded expenditures including transfers to other funds by \$3,339,054. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,680,358, while total fund balance reached \$7,872,608. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17% of total General Fund expenditures, while total fund balance represents 28.7% of that same amount.

**DAYTON METRO LIBRARY  
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**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

The tables and graphs that follow assist in illustrating the financial activities of the Library's General Fund.

**Table 3  
General Fund Receipts Comparative Analysis**

	<b>2005</b>	<b>2004</b>	<b>Increase</b>	<b>Percent</b>
	<b>Amount</b>	<b>Amount</b>	<b>(Decrease)</b>	<b>Change</b>
<b>General Fund Receipts:</b>				
Property and Other Local Taxes	\$ 9,109,961	\$ 1,592,330	\$ 7,517,631	472.1%
Government Grants In Aid	20,187,431	19,138,729	1,048,702	5.5%
Patron Fines and Collections	660,173	553,589	106,584	19.3%
Earnings on Investments	290,307	79,490	210,817	265.2%
Services Provided to Other Entities	88,773	58,700	30,073	51.2%
Contributions and Donations	238,814	63,092	175,722	278.5%
Miscellaneous	211,157	236,889	(25,732)	-10.9%
<b>Total</b>	<b>\$30,786,616</b>	<b>\$21,722,819</b>	<b>\$9,063,797</b>	<b>41.7%</b>

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

General Fund Expenditures. Since the Library did not prepare financial statements at this level of detail for 2004, a comparative analysis has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Table 4**

<b>Expenditure by Function:</b>	<b>2005 Amount</b>
Public Service and Programs	\$14,505,947
Collection Development and Processing	5,436,023
Facilities Operation and Maintenance	315,834
Information Services	614,793
Business Administration	2,242,406
Capital Outlay	1,356,800
Total	<u>\$24,471,803</u>

**Capital Assets**

The Library keeps track of its capital assets and infrastructure through an inventory. The Library uses a software package to accomplish this task and is in the process of updating the information. The inventory listing is expected to be completely updated during 2006.

**Current Issues**

The challenge for all Ohio libraries is to provide quality services to the public while staying within the restrictions imposed by frozen State funding. The Library relies heavily on property and other taxes, and government grants-in-aid which will account for approximately 95% of our revenue in 2006. Even though the Library has stable funding for the foreseeable future, it is dependent on funding from the State to remain in this position. The Library also tracks potential grants that can be applied for that enable it to provide services that would not be delivered without that source of funding.

During 2005, \$3,000,000 in property tax revenue was transferred to the Library's Building and Repair Fund for major capital projects. During 2006, \$2,500,000 will be transferred to the Building and Repair Fund. While nearly \$20,000,000 in facilities needs have been identified, a formal building plan has not been approved. As a result of the 2005 Board Retreat Discussion, the Library will undertake a broader facilities planning process. Major facilities projects such as expansion, replacement or relocation of branches, are anticipated to be financed from funds in the Library's Building and Repair Fund. Gathering community input and polling to gauge community support for funding a broader plan will occur through the remainder of 2006 and 2007.

The Library had no debt service requirements as of December 31, 2005.

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Timothy Kambitsch, Clerk-Treasurer, Dayton Metro Library, 215 East Third Street, Dayton, Ohio 45402-2103.

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**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2005**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$12,946,805
Restricted Assets:	
Cash and Cash Equivalents	<u>219,131</u>
Total Assets	<u><u>13,165,936</u></u>
<b>Net Assets</b>	
Restricted for:	
Endowment	219,131
Unrestricted	<u>12,946,805</u>
Total Net Assets	<u><u>\$13,165,936</u></u>

*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, 2005**

	<u>Program Cash Receipts</u>			<b>Net (Disbursements) Receipts and Changes in Net Assets</b>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>					
Library Services:					
Public Service and Programs	\$14,505,947	\$760,469	\$22,017	\$215,000	(\$13,508,461)
Collection Development and Processing	5,436,023		10,774		(5,425,249)
Support Services:					
Facilities Operation and Maintenance	315,834				(315,834)
Information Services Support	614,793				(614,793)
Business Administration	2,242,406				(2,242,406)
Capital Outlay	1,356,800				(1,356,800)
Total Governmental Activities	<u>\$24,471,803</u>	<u>\$760,469</u>	<u>\$32,791</u>	<u>\$215,000</u>	<u>(23,463,543)</u>
		<b>General Receipts</b>			
					9,109,961
					20,087,431
					95,826
					357,997
					195,106
					<u>29,846,321</u>
					6,382,778
					<u>6,783,158</u>
					<u>\$13,165,936</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, 2005**

	<b>General</b>	<b>Building &amp; Repair Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$7,872,608	\$3,617,595	\$1,456,602	\$12,946,805
Restricted Assets: Cash and Cash Equivalents			219,131	219,131
Total Assets	<u>7,872,608</u>	<u>3,617,595</u>	<u>1,675,733</u>	<u>13,165,936</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	3,192,250			3,192,250
Reserved for Endowment			219,131	219,131
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	4,680,358			4,680,358
Special Revenue Funds			1,306,634	1,306,634
Capital Projects Funds		3,617,595	149,968	3,767,563
Total Fund Balances	<u>\$7,872,608</u>	<u>\$3,617,595</u>	<u>\$1,675,733</u>	<u>\$13,165,936</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, 2005**

	<u>General</u>	<u>Building &amp; Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>				
Property and Other Local Taxes	\$9,109,961			\$9,109,961
Other Government Grants-In-Aid	20,187,431			20,187,431
Patron Fines and Fees	660,173			660,173
Services Provided to Other Entities	88,773			88,773
Contributions, Gifts and Donations	238,814			238,814
Earnings on Investments	290,307	33,225	34,465	357,997
Miscellaneous	211,157		274	211,431
Total Receipts	<u>30,786,616</u>	<u>33,225</u>	<u>34,739</u>	<u>30,854,580</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	14,505,947			14,505,947
Collection Development and Processing	5,436,023			5,436,023
Support Services:				
Facilities Operation and Maintenance	315,834			315,834
Information Services	614,793			614,793
Business Administration	2,242,405			2,242,405
Capital Outlay	1,120,474	236,326		1,356,800
Total Disbursements	<u>24,235,476</u>	<u>236,326</u>		<u>24,471,802</u>
Excess of Receipts Over (Under) Disbursements	<u>6,551,140</u>	<u>(203,101)</u>	<u>34,739</u>	<u>6,382,778</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		3,000,000	212,086	3,212,086
Transfers Out	(3,212,086)			(3,212,086)
Total Other Financing Sources (Uses)	<u>(3,212,086)</u>	<u>3,000,000</u>	<u>212,086</u>	
Net Change in Fund Balances	3,339,054	2,796,899	246,825	6,382,778
Fund Balances Beginning of Year	<u>4,533,554</u>	<u>820,696</u>	<u>1,428,908</u>	<u>6,783,158</u>
Fund Balances End of Year	<u>\$7,872,608</u>	<u>\$3,617,595</u>	<u>\$1,675,733</u>	<u>\$13,165,936</u>

*See accompanying notes to the basic financial statements.*

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
<b>Receipts</b>				
Property and Other Local Taxes	\$8,899,472	\$8,899,472	\$9,109,961	\$210,489
Other Government Grants-In-Aid	18,696,448	20,018,637	20,187,431	168,794
Patron Fines and Fees	587,870	554,870	660,173	105,303
Services Provided to Other Entities	57,606	57,606	88,773	31,167
Contributions, Gifts and Donations	60,000	60,000	238,814	178,814
Earnings on Investments	240,400	240,400	290,307	49,907
Miscellaneous	148,000	148,000	211,157	63,157
<b>Total Receipts</b>	<u>28,689,796</u>	<u>29,978,985</u>	<u>30,786,616</u>	<u>807,631</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Salaries and Benefits	17,405,688	17,370,951	15,643,286	1,727,665
Supplies	426,402	426,403	425,411	992
Purchased and Contract Services	3,811,493	4,191,302	3,592,924	598,378
Library Materials and Information	5,477,753	5,969,122	5,916,719	52,403
Other	956,000	141,299	63,191	78,108
Capital Outlay	1,863,107	1,814,607	1,786,195	28,412
<b>Total Disbursements</b>	<u>29,940,443</u>	<u>29,913,684</u>	<u>27,427,726</u>	<u>2,485,958</u>
Receipts Over (Under) Disbursements	(1,250,647)	65,301	3,358,890	3,293,589
<b>Other Financing (Uses)</b>				
Transfers Out	(3,185,601)	(3,212,360)	(3,212,086)	274
<b>Net Change in Fund Balance</b>	(4,436,248)	(3,147,059)	146,804	3,293,863
Prior Year Encumbrances Appropriated	972,621	972,621	972,621	
Fund Balance Beginning of Year	<u>3,560,934</u>	<u>3,560,934</u>	<u>3,560,934</u>	
<b>Fund Balance End of Year</b>	<u>\$97,307</u>	<u>\$1,386,496</u>	<u>\$4,680,359</u>	<u>\$3,293,863</u>

*See accompanying notes to the basic financial statements.*

DAYTON METRO LIBRARY  
MONTGOMERY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
AGENCY FUND  
DECEMBER 31, 2005

**Assets**

Equity in Pooled Cash and Cash Equivalents \$17,935

Total Assets 17,935

**Net Assets**

Unrestricted \$17,935

*See accompanying notes to the basic financial statements.*

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

Dayton Metro Library, Montgomery County, (the Library), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by a seven member Board of Trustees: four are appointed by the Montgomery County Commissioners and three are appointed by the Montgomery County Common Pleas Court Judges. The Library provides the community with various educational and literary resources.

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 and 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 Commissioners 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.

A reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Library consists of all funds, departments, and activities that are not legally separate from the Library.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

**A. Basis of Presentation**

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

**1. Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type. The Library, however, has no activities which are reported as business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of net assets presents the cash balance of the governmental activities of the Library at year-end. The statement of activities compares disbursements with program receipts for each function or program 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 government 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.

**2. 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. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Library functions or activities. 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.

**1. Governmental Funds**

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

**General Fund:** This 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 and the Charter of the Library.

**Building and Repair Fund:** This fund is used to record expenditures related to building projects, including the improvements to the Library and construction of new and future facilities.

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

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. 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 the Flexible Benefit account.

**C. Basis of Accounting**

As stated earlier, 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 in 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 expenses and liabilities) are not recorded in these financial statements.

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the Library is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Library are presented on the financial statements as cash and cash equivalents.

During 2005, the Library maintained investments in Federal Home Loan Mortgage Company Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, and the State Treasury Asset Reserve of Ohio (STAR Ohio). 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, 2005.

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

The Library recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance Designations, Reserves, and Net Assets**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide financial statements, governmental activities report temporary and permanent restrictions of net assets for amounts that are restricted by outside parties for use for a specific purpose.

**G. Restricted Assets**

The financial statements classify cash and cash equivalents as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and cash equivalents in the Other Governmental Funds include amounts restricted by endowments.

The government-wide statement of net assets reports \$219,131 which is restricted by enabling endowments.

**H. Fund Balance Reserves**

The Library reserves any portion of fund balances that is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that a portion of the fund balance is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**I. Interfund Transactions**

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.

**J. Compensated Absences**

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation leave on a biweekly basis and allows the unused balance to be accumulated at levels which depend upon years of service. For part-time employees, vacation leave is credited based on budgeted hours worked on a pro-rated basis. Library employees are paid for earned, unused vacation leave at the time of termination of employment if the employee has worked for twelve (12) full pay periods.

Regular full-time employees are entitled to ten (10) hours of sick leave for each completed month of service. Regular part-time employees will be given sick leave proportionate to the number of hours budgeted. Unused sick leave may be accumulated without limit and carried over from year to year. Any retiring employee, who has worked for the Library for at least ten (10) years, may be paid for unused sick leave in the amount of 25 percent of the employees accrued sick leave balance. To receive payment, the employee's retirement must be authorized by OPERS.

**K. Inventories and Prepaid Items**

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



**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Capital Assets**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**M. Budgetary Data**

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 Clerk Treasurer. 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.

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual (budget 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 represents outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statements to the budgetary basis statements for the General Fund.

<b><u>Net Change in Fund Balance</u></b>	
Modified Cash Basis	\$ 3,339,054
Reserved for Encumbrances	<u>(3,192,250)</u>
Budget Basis	<u>\$ 146,804</u>

The Board must annually approve the appropriation measure and subsequent amendments. Unencumbered appropriations lapse at year end and therefore are re-appropriated in the following year. Budgetary expenditures (that is, disbursements plus encumbrances) may not exceed appropriations at the fund object level, which is the Library's legal level of control.

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**4. CHANGE IN ACCOUNTING PRINCIPLES**

During 2005, the Library implemented *GASB Statement No. 40, "Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3"*, *GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,"* and *GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34."*

GASB Statement No. 40 creates new disclosure requirements for deposits and investments, related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the Library's financial statements for 2005.

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the Library's financial statements for 2005.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining when net assets should be reported as restricted. The implementation of this statement had no effect on the Library's financial statements for 2005.

**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 Library 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies may be deposited or invested in the following securities:

- 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 payment of principal and interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities 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;

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

- Written repurchase agreements in the securities listed above;
- Bonds and other obligations of the State of Ohio or local governments;
- Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
- 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;
- The State Treasurer's investment pool (STAR Ohio); and
- Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$5,074,822 of the Library's bank balance of \$5,309,175 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

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.

**B. Investments**

As of December 31, 2005, the Library had the following investments:

	<u>Cost</u>	<u>Investment Maturities Less than 1 year</u>	<u>Investment Maturities 1 to 2 years</u>	<u>Concentration of Credit Risk</u>
Federal Home Loan Mortgage Company (FHLMC) Notes	\$2,000,000		\$2,000,000	22.85%
Federal National Mortgage Association (FNMA) Notes	998,370		998,370	11.40%
Federal Home Loan Bank Bonds	495,275		495,275	5.66%
STAR Ohio	5,260,357	5,260,357		60.09%
Total Investments	<u>\$8,754,002</u>	<u>\$5,260,357</u>	<u>\$3,493,645</u>	<u>100.00%</u>

**Interest Rate Risk** – The Library's investment policy 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 must be purchased with the expectation that it will be held to maturity. The Library's policy states that all investments should be sufficiently liquid to meet all operating requirements that can be reasonably anticipated.

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**Credit Risk** – Federal Home Loan Mortgage Company Notes, Federal National Mortgage Association Notes, and Federal Home Loan Bank Bonds carry a rating of Aaa by Moody's. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Library's investment policy limits investments to those authorized by State statute.

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

**6. GRANTS-IN-AID AND TAX RECEIPTS**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF 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.

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Governments Grants in Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**7. DEFINED BENEFIT PENSION PLANS**

**Ohio Public Employees Retirement System**

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

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

OPERS issues a stand alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, members of all three plans, were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The Library's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contribution for pension obligations to the traditional, combined, and member directed plans for the years ended December 31, 2005, 2004, and 2003 were \$1,150,888, \$1,049,890, \$1,082,705, respectively; the full amount has been contributed for all three years.

**8. POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of the covered payroll was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between 0.5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund post employment benefits were \$482,047. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2004 (the latest information available), was \$10.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

On September 9, 2004, OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Member and employer contribution rates will increase January 1, 2006 through January 1, 2008 which will allow additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**9. LEASE OBLIGATIONS**

The Library has entered into the following operating leases agreements:

**Office Lease** – The Library leases the space at 6160 Chambersburg Heights in Huber Heights for library operations for a total cost of \$139,735 for the year. The lease expires on December 31, 2005 with the option to renew for an additional term of ten years. The Library leases space at 333 W. National Road in Englewood for library operations for a total cost of \$24,573.

**Parking Spaces** – The Library leases twenty seven (27) parking spaces for a total cost of \$5,500 for the year. The lease expires on January 1, 2006 and, in the absence of notification from either party, automatically renews for an unlimited number of successive one-year terms.

**Copier Leases** - The Library leases 1 copier at an annual cost of \$5,749. The lease expires on February 22, 2010. The Library leases 2 copiers for at an annual cost of \$6,492. The leases on these two copiers expire July 1, 2007.

Operating lease payments are reported as program expenditures in the financial statements.

**10. RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library has obtained commercial insurance for comprehensive property and general liability, vehicles, and public official errors and omissions.

The type of coverage and limit for each is as follows:

**DAYTON METRO LIBRARY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

<b>Coverage</b>	<b>Limit</b>
Commercial Property:	
Building	\$ 36,340,843
EDP Property	9,010,612
Contents	46,301,975
Third Party Property	25,000
Extra Expense – Blanket	3,000,000
Boiler and Machinery	25,000,000
Automobile Liability: (Combined)	
Physical Damage - Single limit	1,000,000
Bodily Injury - Single limit	1,000,000
Public Officials Liability	5,000,000
General Liability	1,000,000

Settlements have not exceeded coverage in any of the last three fiscal years. There has been no significant reduction in coverage from the prior year.

**11. EMPLOYEE BENEFITS - DEFERRED COMPENSATION PLAN**

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

**12. CONTINGENT LIABILITIES**

The Library is a defendant a lawsuit. Although management cannot presently determine the outcome of the suit, they believe the resolution of this matter will not materially adversely affect the Library's financial condition.

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## **Auditor of State Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dayton Metro Library, Montgomery County, (the Library), as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 17, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. However, in a separate letter to the Library's management dated October 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Dayton Metro Library  
Montgomery County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting And On Compliance and Other  
Matters Required by *Government Auditing Standards*  
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This report is intended for the information and use of the audit committee, management, and the Library Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 17, 2006



**Auditor of State  
Betty Montgomery**

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**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  
NOVEMBER 9, 2006**