



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY
HAMILTON COUNTY, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

Board of Trustees
Public Library of Cincinnati and Hamilton County
800 Vine Street
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditor's Report* of the Public Library of Cincinnati and Hamilton County, Hamilton County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 2, 2013

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THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

The Public Library of Cincinnati and Hamilton County
800 Vine Street
Cincinnati, Ohio 45202-2071

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of The Public Library of Cincinnati and Hamilton County, Hamilton County, Ohio (the Library), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 11, 2013, wherein we noted that the Library implemented, as described in Note 17, GASB Statement No. 60, *Accounting and Financial Reporting for Concession Arrangements*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
June 11, 2013

The Public Library of Cincinnati & Hamilton County, Ohio

Comprehensive Annual Financial Report

For the Year Ended December 31, 2012



THE
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of Cincinnati
and
Hamilton County

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Introductory Section

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**THE PUBLIC LIBRARY OF
CINCINNATI AND HAMILTON COUNTY, OHIO**

Comprehensive Annual Financial Report

For the Year Ended December 31, 2012

Issued by:

Molly DeFosse
Fiscal Officer

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The Public Library of Cincinnati and Hamilton County

Comprehensive Annual Financial Report

For the Year Ended December 31, 2012

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The Public Library of Cincinnati and Hamilton County

Comprehensive Annual Financial Report

For the Year Ended December 31, 2012

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**THE
PUBLIC
LIBRARY**

of Cincinnati
and
Hamilton County

800 Vine Street
Cincinnati, Ohio
45202-2009

513 369-6970 Phone
513 369-6993 Fax
www.CincinnatiLibrary.org

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Elizabeth H. LaMacchia
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*The Eva Jane Romaine Coombe
Director*

Kimber L. Fender

Fiscal Officer

Molly DeFosse

June 11, 2013

To the Citizens of Hamilton County and
The Board of Library Trustees of
The Public Library of Cincinnati and Hamilton County

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for The Public Library of Cincinnati and Hamilton County for the year ended December 31, 2012. This report contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of The Public Library of Cincinnati and Hamilton County ("The Library"). This CAFR conforms to generally accepted accounting principles (GAAP) as applicable to governmental entities. The responsibility for the accuracy and completeness of all data presented, and the fairness of the presentation, rests with the management of the Library, specifically the Fiscal Office.

State law requires that every general-purpose local government publish within 150 days of the close of each fiscal year a financial report. This report is published to fulfill that requirement for the year ended December 31, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements.

Balestra, Harr & Scherer, CPAs, Inc., have issued an unqualified ("clean") opinion on The Public Library of Cincinnati and Hamilton County's financial statements for the year ended December 31, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

HISTORY AND DEVELOPMENT

The Public Library of Cincinnati and Hamilton County dates from 1853; however, its foundations were laid 50 years earlier when, in 1802, efforts were begun to establish the first of a series of subscription libraries. The Public Library occupied several inadequate facilities until 1870, when the burgeoning Cincinnati Library moved into its own building on Vine Street in the heart of downtown. That structure served the Queen City for 85 years until the building at 8th and Vine Streets opened. During that time, the institution acquired a reputation of quality in both its collection and its service.

The modern era for the Public Library began in 1898 with the establishment of an independent Board of Library Trustees. Within two years, the Main Library opened its first Children's Room, and the first six branches were added in nearby suburbs to create a system. The following year, philanthropist Andrew Carnegie agreed to give funds for nine additional branches, seven of which are still in service.

During the depths of the Great Depression, the Ohio legislature passed a tax on intangibles for the financial support of public libraries. This tax on stocks and bonds provided a stable source of funds for five decades, enabling the State's public libraries to grow to meet increasing patron demands and to keep up with the rapid changes in information.

In 1944, the Hamilton County electorate passed a bond issue to build what would be the first modern library in the United States of the post-war period. Eleven years later, the Main Library moved into a newly built facility at its current location at 8th and Vine Streets, just two blocks from its original building. The Library then turned its efforts to enhancing services and branch facilities, adding several new branches and renovating or expanding existing ones. Demand for library materials increased so dramatically that a major addition was made to the Main Library in 1982 and plans were made to construct a half-dozen large library branches to better serve the heavily populated "beltway" areas of the county. The opening of the Sharonville Branch in 1993 completed this master plan.

By the mid-'80s, skyrocketing public demand for downtown library services, a rapidly growing collection, and radical expansion of computerization had once again stretched the Main Library to the limits. After years of planning, an addition to the Main Library was opened in 1997 and renovation of the main library south building was completed in 1998. This created a state-of-the-art, seamless main library building of over one half million square feet.

The Library's commitment to strengthening branches resulted in the construction of a new Harrison Branch in 2001 and in the expansion and/or renovation of several branches. In 2007, a new Bond Hill Branch opened in space leased from the Cincinnati/Hamilton County Community Action Agency. Renovation costs were paid completely with donated funds.

In 2008, the Library completed the Main Library for the 21st Century project – a new service model for the Main Library designed to better address changing customer needs. The cost of the building reconfiguration needed to implement this change was more than offset by the operational savings. In early 2012, completion of the Pleasant Ridge Accessibility project was celebrated with a dedication ceremony. This marked the first capital project for the Library in nearly five years. The Hyde Park Branch celebrated its 100th anniversary in August.

Today, The Public Library of Cincinnati and Hamilton County system provides comprehensive services countywide and beyond through its Main Library and 40 neighborhood branches.

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

MATERIALS AND SERVICES

Library cards are free to all Ohio residents. Cards are also free through library consortium membership to Kentucky residents of Boone, Campbell and Kenton Counties. The card enables system-wide borrowing privileges, access to the Library's electronic resources and serves as a debit card for copiers and printing. During 2012 we introduced our complimentary card, a special type of Library card that accesses only online resources and is good for a limited period of time. It is important to note that 80% of the households in Hamilton County have at least one library card. In early 2013 we plan to reach out to the remaining 20% and reach a goal of 500,000 Library cardholders.

In 2012, the Library passed a milestone with the number of digital downloads, books and music, reaching 977,327. This number exceeds the number of items borrowed from any branch library for the first time ever. Just two years ago, the number of digital downloads for the year was 76,107. While growing rapidly, digital content still represents a small portion of our overall borrowing. In 2012 our 483,100 cardholders borrowed more than 9 million print items and more than 7 million movies, music and books on CD. Many of our customers still want or need these formats.

Our use statistics were high in many areas—7.4 million visits, more than 1.9 million computer sessions, nearly 21,000 programs, workshops and classes attended by nearly 480,000. All show the strong demand for library service that has made our Library one of the busiest in the country for years. We are delighted that Hamilton County residents value and use their Library so much.

Looking beyond these services, the Library also offered many services to meet specific needs in our community: preparing our children for kindergarten, serving children living in poverty, improving reading skills for third grade students, assisting jobseekers, and helping adults prepare for the GED. These numbers are smaller than our circulation or visit counts but they are certainly just as important.

Library facilities are open six days per week at 39 branches and seven days per week at the Main Library and Clifton Branch Library.

The Library's website (www.CincinnatiLibrary.org) provides online access to the Library's catalog, extensive reference databases, resources for readers such as our book and reading blog, homework help, digital resources, and information about the Library and its programs. Specialized web pages serve children, teens and older adults. Using the Library's website, Library cardholders may reserve, request or renew items, pay fines with a credit card, offer comments, ask a reference question and request materials from libraries throughout the world via interlibrary loan. Free Internet access is available at all locations. Self-service equipment at the Main Library and 29 branch libraries enables customers to check out their own materials and make cash and credit card payments.

The Main Library has long served as a public reference and resource center for Hamilton County and surrounding counties and has been widely recognized as having one of the nation's top genealogical research collections. Popular materials are conveniently accessible in the Popular Library, teens have a place of their own in TeenSpot and students get homework help in Homework Central. The TechCenter offers state-of-the-art computer technology and computer use training. The Library continues to offer a complete U.S. Patent

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

& Trademark Depository, a U.S. Documents Depository and an outstanding rare book collection. The Outreach Services Department serves the homebound and provides programs and book collections to elementary schools, nursing homes and other institutions. The Virtual Information Center serves customers via phone, email and text in their use of Library resources, including databases and downloadable materials.

Both of our major computer systems were replaced in 2012. The Library catalog and circulation system was changed to Innovative Interfaces Inc. improving functionality, saving money and allowing for our participation in SearchOhio, a statewide network of libraries that share their collections with one another. The Fiscal Office and Human Resources Department transitioned to One Solution. This new system will also improve functionality.

The Library has been an important information source for over 150 years and, despite funding challenges, continues to seek ways to fulfill our mission of "*connecting people with the world of ideas and information*". Recent successes can be directly attributed to the strong focus placed on achieving the five major goals of the Library's new Strategic Plan:

- Advance the use of digital content
- Excel in customer service
- Be the first choice for information and research
- Support literacy and lifelong learning
- Achieve financial security

REPORTING ENTITY

The Library's reporting entity has been defined in accordance with Statement No. 14 and Statement No. 39 of the Governmental Accounting Standards Board. The Library is under the control and management of a Board of Trustees consisting of seven members. Four members of the Board of Library Trustees are appointed by the County Commissioners and three by the judges of the Court of Common Pleas. Board members are appointed for a term of seven years, the term of one trustee expiring each year. At its Annual meeting, the Board organizes for the ensuing year and elects a president, vice president and secretary, and appoints a fiscal officer. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the County Commissioners, nor can the Commissioners significantly influence the programs, activities, or level of service performed or provided by the Library. Although the County Commissioners serve in a ministerial capacity as the taxing authority, the Library is fiscally independent of the county. The Board of Library Trustees makes decisions regarding whether to request approval of a tax, the rate and the purpose(s) of the levy. Once those decisions are made, the County Commissioners must place the levy on the ballot.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Public Library of Cincinnati and Hamilton County for its comprehensive annual financial report for the year ended December 31, 2011. This was the nineteenth year that the Library has received this prestigious award.

Auditor Dave Yost presented the Ohio Auditor of State Award with Distinction to the Library for excellence in financial reporting for its comprehensive annual financial report for the year ended December 31, 2011.

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

In addition, the Library received several awards for library service.

The Library was honored with the Urban Libraries Council Top Innovator Award 2012 in the Collections category for the Virtual Information Center (VIC), housed at the Main Library and serving our remote customers. The VIC provides assistance related to the Library's ebooks and downloadable audio books, answers all circulation-related and ready-reference questions received through the central telephone number and questions submitted via email, text and the comment section on the webpage.

Library Journal named our Library a Star Library for the third consecutive year. A four-star rating was received based on four weighted per capita measures: circulation, visits, program attendance, and Internet use.

Based on the Public Library Data Service Statistical Report, our Main Library (with circulation of nearly 6 million) was the highest circulating central library in North America in 2011. As a system we were 8th in circulation in the country.

Liveability.com named the Children's Learning Center one of its Top 10 Libraries for Children out of the 500 libraries they looked at, noting, "The children's libraries we selected not only look amazing, they offer great programs and activities to get kids excited about reading, learning and exploring."

The Library's mobile app was named "Best Local App" by Cincinnati Magazine.

ECONOMIC CONDITIONS AND OUTLOOK

The service area of the Library is the entire 413 square mile area encompassing Hamilton County and the City of Cincinnati (79 square miles), which is located wholly within the county borders. At a little over 800,000 people, Hamilton County's population is declining. The area remains the largest jurisdiction in the tri-state area and is the center of commerce, as well as a major center of culture, arts, sports, conventions, and tourism. The County's diversified economy, competitive cost structure, skilled work force, access to an international airport, and easy access to national markets continue to provide a strong foundation for future growth.

In January 2008, the Public Library Fund (PLF) replaced the Library and Local Government Support Fund, which had funded Ohio's public libraries since 1986. In establishing the PLF, the state broadened the base of library funding to include all general revenue taxes and fixed the percentage for libraries at 2.2 percent of collections. By mid-2009, the percentage was reduced to 1.97 percent and remained at this level until mid-2011. Even at this reduced level, PLF revenue began to show signs of growth in early 2011, but a new state budget for the 2012-13 biennium halted any possibility of revenue growth in the second half of the year. In the new budget, library funding was set at 95% of prior year distributions, less new deductions that fund the Ohio Public Library Information Network (OPLIN) and the Library for the Blind and Physically Handicapped. The projection for 2014-2015 indicates a slight growth in the PLF of between 2% and 4%.

In November 2009, Hamilton County voters overwhelmingly approved a 1-mill, 5-year levy for the Library. Much of the loss in state revenue was offset in 2010 by the first year of local tax revenue. However, in 2011, revenue from the levy began to drop as a result of decreasing property tax valuations. The levy has provided a dependable source of revenue through 2014.

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

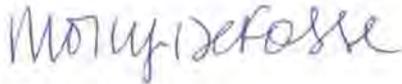
The Board is considering the renewal of the levy in order to provide consistent service to the residents of Hamilton County.

Despite its continued decline, the PLF remained the primary source of the Library's income in 2012. The property tax levy was secondary, with additional moneys derived from fines, gifts, e-rate reimbursements, federal and state grants, investment earnings, rents and services. The Library continues to balance available funding with service needs by seeking grants and gifts and routinely evaluating service delivery efficiencies.

OTHER INFORMATION

Highlights of the Library's financial activities in 2012 are outlined in Management's Discussion and Analysis, starting on page 3, and in the Notes to the Financial Statements.

Special thanks are extended to my Fiscal Office staff for their hard work and dedication in compiling cash reports, accrual information and capital assets information. I would also like to express appreciation to Dave Yost, Auditor of State, and to his Local Government Services staff for their assistance in preparing this report.



MOLLY DEFOSSE
FISCAL OFFICER

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Public Library
of Cincinnati and Hamilton County
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



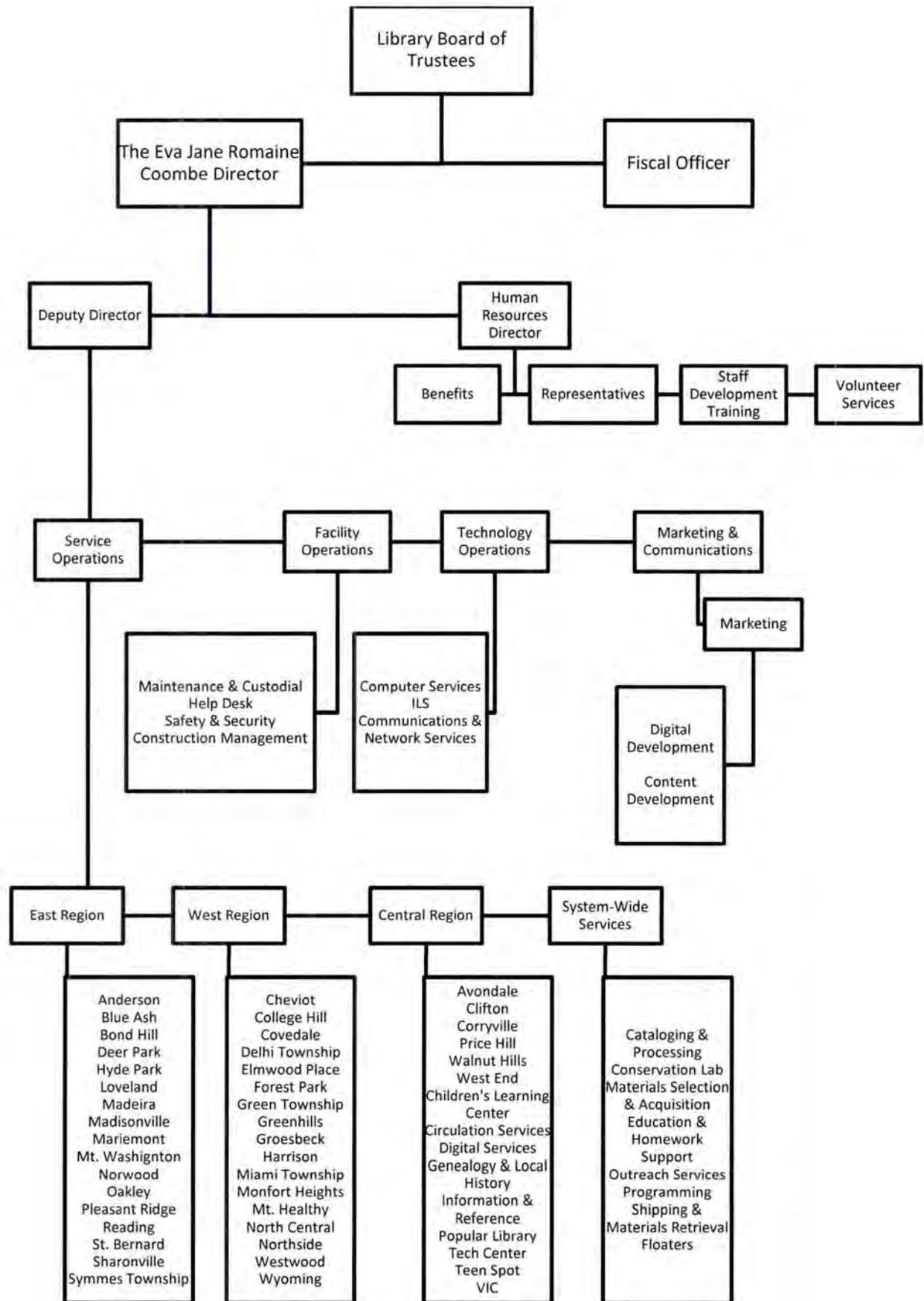
Christopher P. Morrell

President

Jeffrey R. Emer

Executive Director

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY ORGANIZATIONAL CHART



THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2012

Board of Library Trustees

President	Robert G. Hendon
Vice President	Ross A. Wright
Secretary	Paul G. Sittenfeld
Board Members	Elizabeth H. LaMacchia William J. Moran Barbara W. Trauth Allan G. Zaring IV

Appointed Officials

The Eva Jane Romaine Coombe Director	Kimber L. Fender
Fiscal Officer	Molly DeFosse

Administrative Staff

Deputy Director	Greg Edwards
Director, Human Resources	Mary Bennett-Brown

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Financial Section

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Members of the Board of Trustees
The Public Library of Cincinnati and Hamilton County
800 Vine Street
Cincinnati, Ohio 45202-2071

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of The Public Library of Cincinnati and Hamilton County, Hamilton County, Ohio (the Library), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of The Public Library of Cincinnati and Hamilton County, Hamilton County, Ohio, as of December 31, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General and thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Library's basic financial statements taken as a whole. The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The financial section's combining statements, individual fund statements and schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Emphasis of Matter

As described in Note 17 to the financial statements, during 2012, the Library adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 60, *Accounting and Financial Reporting for Concession Arrangements*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2013, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
June 11, 2013

The Public Library of Cincinnati and Hamilton County
Management's Discussion and Analysis

For the Year Ended December 31, 2012
Unaudited

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This comprehensive annual financial report presents The Public Library of Cincinnati and Hamilton County's financial performance for the year ended December 31, 2012. The report consists of a series of financial statements and notes to those statements, plus other supplementary information. The financial statements are organized to present both the Library's overall financial position – *government-wide financial statements*, plus a detailed look at specific financial activities – *fund financial statements*.

Financial Highlights

Key financial highlights for 2012 are as follows:

- At December 31, the Library's net position exceeded \$131 million. Of this amount, \$36.6 million (unrestricted net position) may be used to meet ongoing obligations.
- At the close of the year, the Library's General Fund reported an ending fund balance of \$15.4 million, a \$900,000 increase from the prior year.
- At December 31, 2012, the Library had no debt.

Government-wide Financial Statements

The government-wide financial statements include all the activities of the Library. The *statement of net position* is the basic government-wide statement of position, presenting information on all of the Library's assets and liabilities, with the difference between the two reported as net position.

The government-wide *statement of activities* presents changes in the net position reported on the government-wide statement of net position. The governmental activities of the Public Library of Cincinnati and Hamilton County are categorized as either LIBRARY SERVICES, including Public Service and Programs and Collection Development and Processing, or SUPPORT SERVICES, including Facilities Operations and Maintenance, Information Services Support, and Business Administration.

The government-wide financial statements can be found starting on page 8.

Fund Financial Statements

The fund financial statements provide detail of the Library's activities at the fund level. 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. All of the funds of the Library are governmental funds.

The Library's general fund, special revenue funds, capital projects funds, and permanent funds are all classified as governmental funds. The funds are reported using the modified accrual accounting method, which measures cash and other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Library's general governmental operations and the basic services it provides. The statements include the *balance sheet* and the *statement of revenues, expenditures, and changes in fund balances*. A reconciliation of the statement of revenues, expenditures, and

changes in fund balances to the statement of activities facilitates a comparison between governmental funds and governmental activities.

The Library presents 13 individual governmental funds during the year ended December 31, 2012. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the only major fund. The remaining funds are reported together as a single "other governmental" fund. Individual data for several of these nonmajor funds is provided elsewhere in combining statements. Data from all remaining funds is combined with an appropriate fund or in a "various" fund presentation.

The Library adopts an annual appropriated budget for each of its funds. A budgetary comparison statement (Budget and Actual (Budget Basis)) has been provided for each governmental fund that had activity during 2012 to demonstrate compliance with this budget.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-33 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2012, the Library's assets exceeded liabilities by over \$131 million. The table below provides a comparative analysis of net position between years 2011 and 2012:

	2012	2011	Change
Assets			
Current and Other Assets	67,017,354	\$65,257,101	\$1,760,253
Capital Assets, Net	85,838,435	87,483,144	(1,644,709)
Total Assets	152,855,789	152,740,245	115,544
Liabilities			
Current Liabilities	2,364,799	2,773,467	(408,668)
Long-Term Liabilities			-
Due Within One Year	1,571,981	1,614,247	(42,266)
Due in More than One Year	2,208,562	2,598,643	(390,081)
Total Liabilities	6,145,342	6,986,357	(841,015)
Deferred Inflows of Resources			
Property Taxes	15,643,227	16,903,149	(1,259,922)
Net Position			
Invested in Capital Assets	85,838,435	87,483,144	(1,644,709)
Restricted	8,549,943	8,765,055	(215,112)
Unrestricted	36,678,842	32,602,540	4,076,302
Total Net Position	\$131,067,220	\$128,850,739	\$2,216,481

The largest portion of the Library's net position (65%) reflects its capital assets – land and land improvements, fine art and rare book collections, construction in progress, buildings and improvements, furniture, fixtures and equipment, and vehicles. The Library uses these assets to provide services; consequently, these assets generally are not available for future spending. This could change if a decision is made in the future to consolidate services or facilities. All of the Library's capital assets are free of outstanding debt.

An additional portion of the Library's net position (7%) represents restricted principal and other resources subject to external restrictions. The remaining balance of unrestricted net position (28%) may be used to meet the Library's ongoing activities, including planned capital projects. The Library is able to report positive balances in all three categories of net position, including a healthy positive balance of \$36.6 million in unrestricted net position.

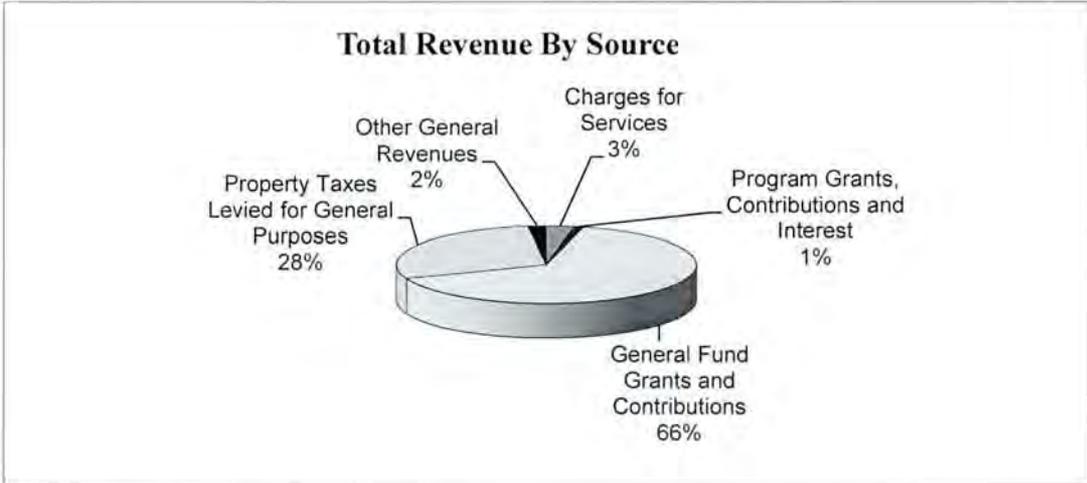
In fiscal year 2012, the Library's total net position increased by \$2,216,481, a change of almost 2%.

The following table explains the change in net position in terms of the Library's governmental activities. In fiscal year 2012, the Library's total revenues decreased 3.2%. The Public Library Fund revenue decreased 1.6% and ongoing reductions in county property tax valuations resulted in a 7.7% decrease in tax levy revenue.

In anticipation that both state and county funding would decrease through at least fiscal year 2012, the Library continued to take steps to hold expenses in line with the prior year. Despite increasing public demand for library services, program expenses for 2012 were .5% over 2011 expenses.

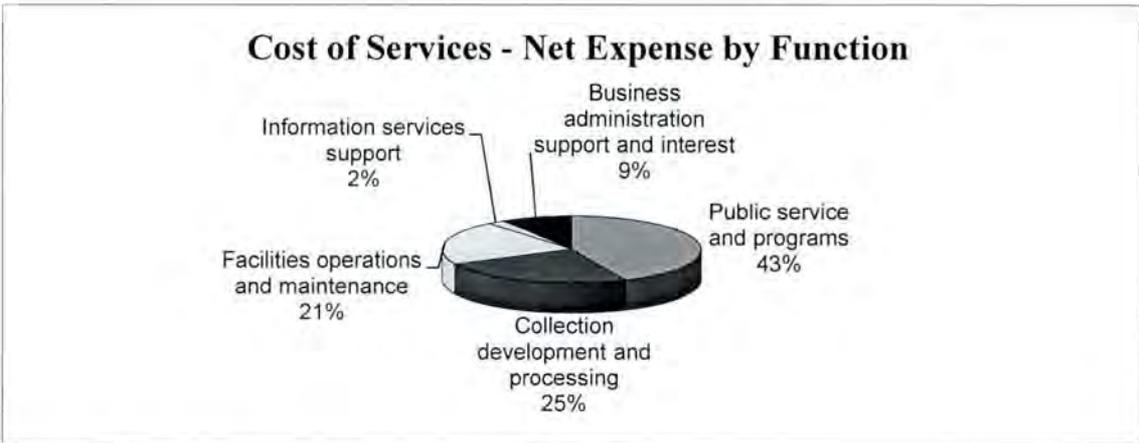
	2012	2011	Change
Revenues			
<u>Program Revenues:</u>			
Charges for Services	1,836,804	1,856,747	(19,943)
Operating Grants, Contributions and Earnings on Investments	428,372	874,064	(445,692)
<u>General Revenues:</u>			
Unrestricted Grants and Contributions	38,320,131	38,927,193	(607,062)
Local Tax	15,912,280	17,244,148	(1,331,868)
Other General Revenues	1,176,406	619,779	556,627
Total Revenues	<u>57,673,993</u>	<u>59,521,931</u>	<u>(1,847,938)</u>
Program Expenses			
Library Services	38,346,092	36,869,970	1,476,122
Support Services	17,114,005	18,271,321	(1,157,316)
Interest	0	0	0
Total Expenses	<u>55,460,097</u>	<u>55,141,291</u>	<u>318,806</u>
Decrease in Net Assets before Contributions	2,213,896	4,380,640	(2,166,744)
Contributions to Principal	2,585	5,072	(2,487)
Decrease in Net Assets	<u>2,216,481</u>	<u>4,385,712</u>	<u>(2,169,231)</u>
Net Assets - Beginning of Year	<u>128,850,739</u>	<u>124,465,027</u>	
Net Assets - End of Year	<u><u>131,067,220</u></u>	<u><u>128,850,739</u></u>	

Program revenues (nominal fines and fees) and grants and donations, while important, cannot begin to cover the full cost of providing free public library service, which is dependent upon intergovernmental revenue not restricted to specific programs. The following graph illustrates the Library's reliance on intergovernmental revenue, specifically the Public Library Fund and a local property tax, which together in 2012 provided 94% of the Library's total revenue for governmental activities.



In the words of our Mission Statement, the Public Library of Cincinnati and Hamilton County's function is to "connect people with the work of ideas and information". It follows then that the expenses for the governmental activity Library Services, which includes both Public Service and Programs and Collection Development and Processing, makes up the largest portion of net expense – 68%. Net expense by function is detailed in the table below and illustrated in the following graph.

Net Expense by Function	2012	2011	Change
Public Service and Programs	\$22,950,026	\$21,696,675	\$1,253,351
Collection Development and Processing	13,165,961	12,719,454	446,507
Facilities Operations and Maintenance	11,186,022	11,772,780	(586,758)
Information Services Support	1,146,958	1,904,725	(757,767)
Business Administration	4,745,954	4,316,845	429,109
Total Net Expense by Function	<u>\$53,194,921</u>	<u>\$52,410,479</u>	<u>\$784,442</u>



Fund Financial Analysis

As previously noted, the General Fund is the Library's only major fund. The fund balance of the General Fund increased \$890,421 in 2012. Efforts to hold operating expenses in line with revenue for the year were successful.

General Fund Budgetary Analysis

During 2012, original revenue and expenditure budgets were modified to account for increases in salaries and leave benefits due to payouts of compensated absences upon retirement for an above average number of employees resulting from the changes made to the Ohio Public Employees Retirement System, increases to Purchased and contracted services to adjust for operational changes made in response to the turnover of employees, and several reductions to discretionary purchases based on the increases. Monies were transferred from the General Fund to the Building and Repair Fund, as budgeted, for ongoing capital maintenance.

Actual revenues exceeded the budget by \$527,604, a difference of less than one percent. As a result of ongoing management efforts to control operating costs and the factors influencing the budget modifications, actual expenditures were \$276,247 less than budgeted, a difference of one half percent.

Capital Assets

As of December 31, 2012, the Library had \$85,838,435 invested in capital assets. The table below provides a comparative analysis of capital assets net of accumulated depreciation between 2012 and 2011. The significant decrease in Construction in Progress reflects the completion of accessibility upgrades at the Library's Pleasant Ridge Branch in 2012. The decrease in Buildings & Improvements is in part the result of selling the Westwood Annex property and the other variances are primarily the result of depreciation.

	2012	2011	Change
Land	\$14,388,434	\$14,439,577	(\$51,143)
Fine Arts and Rare Book Collection	17,614,531	17,614,531	0
Construction in Progress	252,834	1,153,978	(901,144)
Land Improvements	471,863	471,191	672
Buildings and Improvements	49,655,642	50,495,281	(839,639)
Furniture, Fixtures, and Equipment	3,418,698	3,247,030	171,668
Vehicles	36,433	61,556	(25,123)
Total Capital Assets	<u>\$85,838,435</u>	<u>\$87,483,144</u>	<u>(\$1,644,709)</u>

For more information on capital assets, see Note 7 to the basic financial statements.

Debt

The Library had no debt during 2012.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have any questions about this report or need additional information, contact Molly DeFosse, Fiscal Officer, The Public Library of Cincinnati and Hamilton County, 800 Vine Street, Cincinnati, Ohio, 45202.

The Public Library of Cincinnati and Hamilton County

Statement of Net Position

December 31, 2012

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$22,982,146
Accrued Interest Receivable	16,562
Intergovernmental Receivable	19,879,100
Prepaid Items	313,382
Supplies Inventory	217,720
Property Taxes Receivable	17,218,545
Investments	6,389,899
Capital Assets	
Land	14,388,434
Fine Art and Rare Books Collections	17,614,531
Construction in Progress	252,834
Depreciable Capital Assets, Net	53,582,636
Total Assets	152,855,789
<u>Liabilities</u>	
Accounts Payable	965,644
Accrued Salaries Payable	855,157
Intergovernmental Payable	543,998
Noncurrent liabilities:	
Due within one year	1,571,981
Due in more than one year	2,208,562
Total Liabilities	6,145,342
<u>Deferred Inflows of Resources</u>	
Property Taxes	15,643,227
Total Deferred Inflows of Resources	15,643,227
Total Liabilities and Deferred Inflows of Resources	21,788,569
<u>Net Position</u>	
Invested in Capital Assets	85,838,435
Restricted for Grants, Materials, and Programs	149,596
Restricted for Permanent Funds	
Expendable	1,672,171
Nonexpendable	6,728,176
Unrestricted	36,678,842
Total Net Position	\$131,067,220

See accompanying notes to the basic financial statements.

The Public Library of Cincinnati and Hamilton County

Statement of Activities

For the Year Ended December 31, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Earnings on Investments</u>	
Library Services				
Public service and programs	\$25,089,210	\$1,836,534	\$302,650	(\$22,950,026)
Collection development and processing	13,256,882	270	90,651	(13,165,961)
Support Services				
Facilities operations and maintenance	11,220,143	0	34,121	(11,186,022)
Information services support	1,146,958	0	0	(1,146,958)
Business administration	4,746,904	0	950	(4,745,954)
Total Governmental Activities	<u>\$55,460,097</u>	<u>\$1,836,804</u>	<u>\$428,372</u>	<u>(53,194,921)</u>
General Revenues:				
Grants and contributions not restricted to specific programs				38,320,131
Property taxes levied for general purposes				15,912,280
Unrestricted earnings on investments				56,419
Miscellaneous				1,119,987
Contributions to principal for permanent funds				2,585
Total general revenues and contributions				<u>55,411,402</u>
Change in net position				2,216,481
Net position - beginning of the year				128,850,739
Net position - end of the year				<u>\$131,067,220</u>

See accompanying notes to the basic financial statements.

The Public Library of Cincinnati and Hamilton County

**Balance Sheet
Governmental Funds
December 31, 2012**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$14,210,487	\$8,771,659	\$22,982,146
Investments	0	6,389,899	6,389,899
Receivables:			
Accrued Interest	0	16,562	16,562
Intergovernmental	19,879,100	0	19,879,100
Property Taxes	17,218,545	0	17,218,545
Prepaid Items	313,278	0	313,278
Supplies Inventory	217,720	0	217,720
Total Assets	<u>\$51,839,130</u>	<u>\$15,178,120</u>	<u>\$67,017,250</u>
<u>Liabilities</u>			
Accounts Payable	\$941,467	\$24,073	\$965,540
Accrued Salaries Payable	855,157	0	855,157
Intergovernmental Payable	543,998	0	543,998
Total Liabilities	<u>2,340,622</u>	<u>24,073</u>	<u>2,364,695</u>
<u>Deferred Inflows of Resources</u>			
Property Taxes	15,643,227	0	15,643,227
Unavailable Revenue	18,408,538	0	18,408,538
Total Deferred Inflows of Resources	<u>34,051,765</u>	<u>0</u>	<u>34,051,765</u>
<u>Fund Balances</u>			
Nonspendable	530,998	6,728,176	7,259,174
Restricted	0	1,821,767	1,821,767
Committed	80,000	0	80,000
Assigned	827,940	6,604,104	7,432,044
Unassigned	14,007,805	0	14,007,805
Total Fund Balances	<u>15,446,743</u>	<u>15,154,047</u>	<u>30,600,790</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$51,839,130</u>	<u>\$15,178,120</u>	<u>\$67,017,250</u>

See accompanying notes to the basic financial statements.

The Public Library of Cincinnati and Hamilton County
Reconciliation of Total Governmental Fund Balances
To Net Position of Governmental Activities
December 31, 2012

Total fund balances in governmental funds		\$30,600,790
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		85,838,435
Some of the Library's revenues will be collected after year-end, but are not available soon enough to pay for the current period expenditures and therefore are deferred in the funds:		
Intergovernmental revenue	16,833,220	
Property taxes	1,575,318	
		18,408,538
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Compensated absences payable		(3,780,543)
		\$131,067,220
Net Position of governmental activities		\$131,067,220

See accompanying notes to the basic financial statements.

The Public Library of Cincinnati and Hamilton County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Revenues			
Intergovernmental	\$37,380,155	\$65,000	\$37,445,155
Property taxes	15,948,657	0	15,948,657
Fines and fees	1,836,534	0	1,836,534
Earnings on investments	43,645	101,075	144,720
Services provided to other entities	270	0	270
Contributions, gifts and donations	146,327	130,422	276,749
Miscellaneous	1,115,893	5,000	1,120,893
Total Revenues	<u>56,471,481</u>	<u>301,497</u>	<u>56,772,978</u>
Expenditures			
Current			
Library Services			
Public service and programs	25,101,652	303,675	25,405,327
Collection development and processing	13,353,727	122,256	13,475,983
Support Services			
Facilities operations and maintenance	8,173,678	1,018,094	9,191,772
Information services support	1,623,431	8,916	1,632,347
Business administration	4,828,572	33,734	4,862,306
Total Expenditures	<u>53,081,060</u>	<u>1,486,675</u>	<u>54,567,735</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,390,421</u>	<u>(1,185,178)</u>	<u>2,205,243</u>
Other Financing Sources (Uses)			
Transfers in	0	2,500,000	2,500,000
Transfers out	(2,500,000)	0	(2,500,000)
Proceeds from sale of capital assets	0	320,000	320,000
Total Other Financing Sources (Uses)	<u>(2,500,000)</u>	<u>2,820,000</u>	<u>320,000</u>
Net change in fund balances	<u>890,421</u>	<u>1,634,822</u>	<u>2,525,243</u>
Fund balances - beginning of year	<u>14,556,322</u>	<u>13,519,225</u>	<u>28,075,547</u>
Fund balances - end of year	<u>\$15,446,743</u>	<u>\$15,154,047</u>	<u>\$30,600,790</u>

See accompanying notes to the basic financial statements.

The Public Library of Cincinnati and Hamilton County
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2012

Net change in fund balances - total governmental funds **\$2,525,243**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. These items include:

Capital assets additions, net	1,540,599	
Depreciation expense	<u>(2,728,686)</u>	(1,188,087)

Governmental funds only report the disposal of capital assets to the extent the proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal

Proceeds from sale of capital assets	(320,000)	
Loss on disposal of capital assets	<u>(136,622)</u>	(456,622)

Because some revenues will not be collected for several months after the Library's year-end, they are not considered "available" revenues and are deferred in governmental funds

Increase in intergovernmental	939,977	
Decrease in property taxes	<u>(36,377)</u>	903,600

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The items include:

Decrease in compensated absences		<u>432,347</u>
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Change in net position of government activities		<u><u>\$2,216,481</u></u>
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See accompanying notes to the basic financial statements.

The Public Library of Cincinnati and Hamilton County
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Intergovernmental	\$37,383,332	\$37,383,332	\$37,376,276	(\$7,056)
Property taxes	15,972,665	15,972,665	15,948,657	(24,008)
Fines and fees	1,855,000	1,855,000	1,836,534	(18,466)
Earnings on investments	35,000	35,000	43,645	8,645
Services provided to other entities	5,000	5,000	270	(4,730)
Contributions, gifts and donations	120,000	120,000	146,328	26,328
Miscellaneous	569,003	569,003	1,115,894	546,891
Total Revenues	55,940,000	55,940,000	56,467,604	527,604
Expenditures				
Current				
Salaries and benefits				
Salaries and leave benefits	26,793,716	27,143,716	27,124,710	19,006
Retirement benefits	3,742,021	3,687,021	3,628,367	58,654
Insurance benefits	4,864,502	4,864,502	4,720,094	144,408
Supplies	1,248,050	1,268,050	1,268,033	17
Purchased and contracted services	8,356,865	8,566,865	8,547,083	19,782
Library materials and information	8,985,083	8,985,083	8,985,083	0
Other objects	459,596	434,596	418,454	16,142
Capital outlay	1,190,167	840,167	821,929	18,238
Total Expenditures	55,640,000	55,790,000	55,513,753	276,247
Excess (deficiency) of revenues over (under)				
expenditures	300,000	150,000	953,851	803,851
Other financing sources (uses)				
Transfers out	(2,500,000)	(2,500,000)	(2,500,000)	0
Total other financing sources (uses)	(2,500,000)	(2,500,000)	(2,500,000)	0
Net change in fund balance	(2,200,000)	(2,350,000)	(1,546,149)	803,851
Fund balance at beginning of year	10,691,149	10,691,149	10,691,149	0
Prior year encumbrances appropriated	1,980,000	1,980,000	1,980,000	0
Fund balance at end of year	\$10,471,149	\$10,321,149	\$11,125,000	\$803,851

See accompanying notes to the basic financial statements.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 1 - REPORTING ENTITY

The Library was founded in 1853 as a school district library of the Cincinnati School Board. In 1898 when State laws were changed, The Public Library of Cincinnati and Hamilton County, Hamilton County, Ohio (the "Library") was established as a county district library completely separate from the Cincinnati School Board. Currently there is a main library located in downtown Cincinnati and 40 branches located throughout Hamilton County.

The Board of Library Trustees has a membership of seven: three appointed by the Common Pleas Court Judges, and four by the Hamilton County Commissioners. 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 and personal property, and of exercising such other powers and privileges as are conferred upon it by law. The Library also determines and operates under its own budget. The control and management of the Library is governed by sections 3375.22 to 3375.27 of the Ohio Revised Code. The Board of Library Trustees appoints an Executive Director and Fiscal Officer to administer the day-to-day operations of the Library.

There is no potential for the Library to provide a financial benefit or to impose a financial burden on the County Commissioners, nor can the Commissioners significantly influence the programs, activities, or level of service performed or provided by the Library. The Library is fiscally independent of the county, although the County Commissioners serve in a ministerial capacity as the taxing authority. The determination to request approval of a tax, the rate and the purpose(s) of the levy are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the County Commissioners must place the levy on the ballot.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity", the Library is considered to be a related organization of Hamilton 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. Component units may also include organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. The Library has no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

A. Basis of Presentation

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

Governmental-wide Financial Statements

The statement of net position and the statement of activities display information about the Library as a whole. The statement of net position presents the financial condition of the governmental activities of the Library at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Library's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Library, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Library.

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. Nonmajor funds are aggregated and presented in a single column.

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. All funds of the Library are governmental.

Governmental funds are those through which the governmental functions of the Library are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance.

The Library's major governmental fund is the General Fund. This fund is the operating fund of the Library and is used to account 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.

The other governmental funds of the Library account for grants and other resources where use of the asset is restricted to a particular purpose.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Library are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues-Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Library, available means expected to be received within 31 days of year-end.

Non-exchange transactions, in which the Library receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Library must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Library on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: entitlements and earnings on investments.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred Inflows of Resources

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Library, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements.

Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Library unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

The budgetary process is prescribed by internal control guidelines and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources, as certified. All funds are required to be budgeted and appropriated. Budgetary control is maintained at the object level within each fund. Budgetary modifications may only be made by resolution of the Board of Library Trustees.

Budget

In 2003, Ohio Senate Bill 55 made changes (effective January 8, 2004) to Ohio Revised Code Section 5705.28, the section of law that requires the Library to submit an annual budget. As revised, Sec. 5705.281 provides that in any county in which a single library receives all of the county library and local government support fund or receives all of that portion of the fund that is distributed to libraries, the county budget commission may waive the requirement that the public library certify to the taxing authority its estimate of contemplated revenue and expenditures. However, if the county budget commission waives this requirement, it can require the library to provide any information the commission requires to perform its duties under this chapter.

In response to a request by the Library Board of Trustees, the Hamilton County Budget Commission, on January 28, 2005, approved a motion to allow the Library to file a modified tax budget for 2006, in a simplified but more useful format. This approval has been reviewed on an annual basis since 2007.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Estimated Resources

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as final budgeted amounts on the budgetary statements reflect the amounts in the final amended certificate in effect at the time the final appropriations were passed.

Appropriations

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

F. Cash and Cash Equivalents

Cash received by the Library is pooled in a common group of bank accounts. Moneys for all funds, except the unexpendable portion of permanent funds, are maintained in the accounts or temporarily used to purchase investments. Individual fund integrity is maintained through Library records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During 2012, investments included U.S. Savings Bonds, Federal Agency Notes, money market mutual funds, and STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share, which is the price the investment could be sold for on December 31, 2012.

Investments, except for non-participating investment contracts, are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost. For investments in money market mutual funds, the fair value is determined by the fund's current share price.

Ohio statutes specify the funds to receive an allocation of interest earnings. Interest and dividend revenue credited to the General Fund during 2012 amounted to \$43,645, which includes \$11,326 assigned from other Library funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the Library are presented on the financial statements as "Equity in Pooled Cash and Cash Equivalents".

G. Inventory of Supplies

Inventory is stated at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

I. Capital Assets

All capital assets of the Library are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. For certain assets, estimates were calculated by indexing estimated current costs back to the year of acquisition. Donated capital assets are recorded at their fair market values as of the date received. The Library maintains a capitalization threshold of \$1,500. The Library does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land, construction in progress, and fine art and rare books collections, are depreciated. Fine art and rare books collections are considered inexhaustible. Improvements are depreciated over the remaining useful lives of the related capital assets and leasehold improvements (included in building improvements) are depreciated over the life of the lease. Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	10 - 30 years
Buildings and Improvements	25 - 50 years
Furniture, Fixtures and Equipment	5 - 25 years
Vehicles	6 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the Library will compensate the employees for the benefits through paid time off or some other means.

The Library recognizes four "open" holidays. These are national holidays on which the Library remains open; therefore full-time employees who work earn an equal number of hours in holiday time. Holiday time is accrued as a liability at December 31.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Library's past experience in making termination payments.

The entire compensated absences liability is reported on the government-wide financial statements.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

K. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources 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 or enabling legislation (Board resolutions).

Enabling legislation authorizes the Library to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and include a legally enforceable requirement that those resources be used only for specific purposes stipulated in the legislation. Legal enforceability means the Library can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Library Trustees. The committed amounts cannot be used for any other purpose unless the Board of Library Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Library Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Library Trustees. State statute authorizes the Fiscal Officer to assign fund balance for purchases on order provide such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

L. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

N. Net Position

Net Position represents the difference between all other elements on a Statement of Financial Position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include amounts legally restricted or donor designated for specific purposes.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis requires accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The statement of revenues, expenditures, and changes in fund balance - budget and actual (budget basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the General Fund are as follows:

Net Change in General Fund Balance

GAAP Basis	\$890,421
Revenue Accruals	(3,877)
Expenditure Accruals	(32,188)
Encumbrances	<u>(2,400,505)</u>
Budget Basis	<u>\$1,546,149</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify moneys held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such moneys 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 no 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.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - continued

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim moneys may be invested in the following securities:

- A. 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;
- B. 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;
- C. Written repurchase agreements in the securities listed above;
- D. Bonds and other obligations of the State of Ohio;
- E. No-load money market mutual funds consisting exclusively of obligations described in (A) or (B) above;
- F. The State Treasurer's investment pool (STAROhio); and
- G. 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.

Deposits

Custodial credit risk is the risk that, in event of a bank failure, the Library's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Library has no deposit policy for custodial risk beyond the requirements of the State statute.

The Library's bank balance of \$21,825,937 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pool.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - continued

Investments

As of December 31, 2012, the Library had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-2	2-3	3-5	More than 5
StarOhio	\$1,046,226	\$1,046,226	\$0	\$0	\$0	\$0
First American Treasury Obligation Mutual Funds	367,242	367,242	0	0	0	0
Federal National Mortgage Assoc Medium Term Notes	1,905,022	251,440	612,416	367,976	673,190	
U.S. Savings Bonds Series HH	91,000	7,000	10,000	37,000	27,000	10,000
Federal Home Loan Mortgage Corporation	3,179,650	1,354,015	352,261	731,588	741,786	0
Federal National Mortgage Assoc Debenture	612,887	0	0	0	612,887	0
Federal Farm Credit Banks Note	251,217	0	0	0	251,217	0
Federal Home Loan Banks Note	350,123	0	0	0	350,123	0
	<u>\$7,803,367</u>	<u>\$3,025,923</u>	<u>\$974,677</u>	<u>\$1,136,564</u>	<u>\$2,656,203</u>	<u>\$10,000</u>

Interest Rate Risk

The Library's investment policy does not address interest rate risk. State statute requires an investment to 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 until maturity. It has been the practice of the Library to immediately sell contributed investments that do not meet the Library's investment policy, unless the sale will result in a substantial loss. This is the reason the Library is holding U.S. Savings Bonds that mature in greater than five years.

Credit Risk

The Federal Home Loan Bank notes, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation notes all carry ratings of Aaa by Moody's. STAROhio carries a rating of AAAM by Standard and Poor's. The First American Treasury Obligation Mutual Funds carry a rating of Aaa by Moody's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The Library has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Library places no limit on the amount it may invest in any one issuer. Of the Library's total investments, 41 percent are in Federal Home Loan Mortgage Corporation notes, 32 percent are Federal National Mortgage Association notes and debentures, 4 percent are Federal Home Loan Bank notes and 3 percent are Federal Farm Credit Bank notes.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility located in the Library district. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013 operations.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 5 - PROPERTY TAXES - continued

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2012 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2012, was \$1.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	16,824,390,000
Public Utility Personal	575,000,000
Total	17,399,390,000

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. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2012, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2012, consisted of intergovernmental, property taxes, and accrued earnings on investments. Intergovernmental receivables consisted of \$18,958,518 from the Public Library Fund and \$920,582 for homestead and rollback taxes. It is all recorded in the General Fund. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. All other receivables are considered fully collectible and will be received in one year due to the stable condition of state programs.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 7 – CAPITAL ASSETS

Changes in capital assets during the year ended December 31, 2012, were as follows:

	Balance at 12/31/11	Additions	Deductions	Balance at 12/31/12
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$14,439,577	\$0	(\$51,143)	\$14,388,434
Fine Art and Rare Book Collections	17,614,531	0	0	17,614,531
Construction in Progress	1,153,978	252,834	(1,153,978)	252,834
Totals Capital Assets, Not Being Depreciated	33,208,086	252,834	(1,205,121)	32,255,799
Capital Assets Being Depreciated:				
Land Improvements	786,644	36,048	0	822,692
Buildings and Improvements	88,422,923	1,448,326	(857,452)	89,013,797
Furniture, Fixtures and Equipment	14,975,358	957,369	(547,120)	15,385,607
Vehicles	470,479	0	0	470,479
Totals Capital Assets, Being Depreciated	104,655,404	2,441,743	(1,404,572)	105,692,575
Less Accumulated Depreciation:				
Land Improvements	(315,453)	(35,376)	0	(350,829)
Building and Improvements	(37,927,642)	(1,882,486)	451,973	(39,358,155)
Furniture, Fixtures and Equipment	(11,728,328)	(785,701)	547,120	(11,966,909)
Vehicles	(408,923)	(25,123)	0	(434,046)
Total Accumulated Depreciation	(50,380,346)	(2,728,686) *	999,093	(52,109,939)
Total Capital Assets Being Depreciated, Net	54,275,058	(286,943)	(405,479)	53,582,636
Governmental Activities Capital Assets, Net	\$87,483,144	(\$34,109)	(\$1,610,600)	\$85,838,435

*Depreciation expense is charged to facilities operations and maintenance.

NOTE 8 – LEASES

The Library leases various buildings for library service operations under noncancelable operating leases. The total cost for these leases was \$312,213 for the year ended December 31, 2012. The future minimum lease payments for these leases are as follows:

<u>Year Ending December 31,</u>	
2013	\$311,875
2014	305,751
2015	284,165
2016	164,722
Total minimum lease payments	\$1,066,513

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 9 - DEFINED BENEFIT PENSION PLAN

Plan Description – The Public Library of Cincinnati and Hamilton County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan 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 pension plan benefit. Member contributions, the investment of which is self-directed by the members, 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 pension 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 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 statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll. For 2012, member and employer contribution rates were consistent across all three plans.

The Library's 2012 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the traditional plan was 4.00 percent for 2012. The portion of employer contributions allocated to health care for members in the combined plan 6.05 percent for 2012. Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the traditional pension and combined plans for the years ended December 31, 2012, 2010, and 2009 were \$2,411,220, \$2,378,636, and \$2,421,661, respectively; 93 percent has been contributed for 2012, with the balance due included in intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$150,436 made by the Library and \$107,454 made by plan members.

NOTE 10 – POST-EMPLOYMENT BENEFITS

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 10 – POST-EMPLOYMENT BENEFITS – continued

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for 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 health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional pension and combined plans must have 10 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 health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in OPERS' financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). 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 the OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the combined plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 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 health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$978,472, \$1,321,464, and \$2,173,523 respectively. For 2012, 93 percent has been contributed with the balance being reported in intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2013, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences - Accumulated Unpaid Vacation and Holiday Leave

Library employees who are eligible earn vacation leave at varying rates based upon length of service, full-time or part-time status, and union status. The Library recognizes four "open" holidays. These are national holidays on which the Library remains open; therefore, employees who work earn an equal number of hours in holiday time. In the case of termination, death or retirement, an employee (or his or her estate) is paid for any unused vacation leave up to a maximum of 66 days and unpaid holiday leave up to a maximum of five days, based on full-time or part-time status and union status. The total obligation for vacation and holiday accrual for the Library as a whole amounted to \$2,912,467 at December 31, 2012.

Compensated Absences - Accumulated Unpaid Sick Leave

All eligible employees earn sick leave on a pay period basis during their benefit year. In addition, an annual allocation is awarded to each full-time eligible employee who does not use more than 50 percent of their earned sick time during their benefit period. This annual sick leave allocation is calculated at 50 percent of the unused monthly days earned during their benefit year. An employee is allocated vested sick leave when they have an unused sick leave balance of 120 days and an unused annual sick leave balance of 60 days and have not used more than 50 percent of their earned sick leave during their benefit period. Vested sick leave is calculated at 50 percent of the unused monthly days allocated during their benefit period and will be added to the employee's vested sick leave balance. Upon retirement an employee is paid for their vested sick leave balance up to the maximum of 60 days. The total long-term obligation for sick leave accrual for the Library as a whole as of December 31, 2012 was \$868,076.

Medical and Dental Insurance

The Library provides medical insurance for full-time employees. An employee can choose between three health care plans: Anthem Blue Access PPO, Anthem Blue Preferred Primary HMO, and Anthem Blue Priority HMO. Dental insurance is provided through Anthem Dental PPO. Employees are required to share in the cost of their medical and dental plans.

NOTE 12 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Library carries three layers of insurance coverage. In 2012, the Library contracted with several insurance companies for primary coverage as follows:

<u>Coverage</u>	<u>Company</u>
Accident	Hartford Life Insurance Company
Automobile	Charter Oak Fire Insurance/Travelers
Crime	Travelers
Equipment Breakdown Protection	Travelers
Commercial General Liability	Travelers
Commercial Umbrella	Travelers
Excess Liability	Fireman's Fund Insurance Co. of Ohio
Non-Profit Directors & Officers	Philadelphia Insurance Company
Excess Non-Profit Directors & Officers	Federal Insurance

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 12 - RISK MANAGEMENT – continued

No insurance settlement has exceeded insurance coverage during the last three years. There has been no significant decrease in the level of coverage from the prior year.

The Library pays the State of Ohio Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries.

The Library also carries Public Official Bond coverage for the Fiscal Officer and the Fiscal Services Manager. These bonds are provided by the Hartford Fire Insurance Company.

NOTE 13 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within one Year
Compensated Absences	\$4,212,890	\$2,225,543	(\$2,657,890)	\$3,780,543	\$1,571,981

Compensated absences will be paid from the General Fund.

NOTE 14 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Governmental Funds</u>	<u>Total</u>
Nonspendable:			
Prepaid items	\$313,278	\$0	\$313,278
Supplies inventory	217,720	0	217,720
Principal restricted	0	6,728,176	6,728,176
Total Nonspendable	<u>530,998</u>	<u>6,728,176</u>	<u>7,259,174</u>
Restricted for:			
Library programs	0	1,821,767	1,821,767
Total Restricted	<u>0</u>	<u>1,821,767</u>	<u>1,821,767</u>
Committed to contracts	<u>80,000</u>	<u>0</u>	<u>80,000</u>
Assigned to:			
Capital improvements and repair	0	6,604,104	6,604,104
Other purposes	827,940	0	827,940
Total Assigned	<u>827,940</u>	<u>6,604,104</u>	<u>7,432,044</u>
Unassigned	<u>14,007,805</u>	<u>0</u>	<u>14,007,805</u>
Total Fund Balances	<u>\$15,446,743</u>	<u>\$15,154,047</u>	<u>\$30,600,790</u>

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 15 – INTERFUND ACTIVITY

Interfund Transfers and Advances

During 2012, there was one transfer from the General Fund to the Building and Repair Fund (other Governmental Funds) for \$2,500,000 for ongoing maintenance projects.

NOTE 16 - CONTINGENT LIABILITIES

Federal and State Grants

For the period January 1, 2012 to December 31, 2012, the Library received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Library believes such disallowance, if any, would be immaterial.

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLES

For 2012, the Library has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53" Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62"

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the Library's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Library's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Library's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the Library's financial statements.

The Public Library of Cincinnati and Hamilton County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLES- continued

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the Library's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Library's financial statements.

THE PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

Nonmajor Fund Descriptions

Special Revenue Funds

The Special Revenue Funds are used to account for and report revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The following are descriptions of the Library's nonmajor special revenue funds.

LSTA Grant Fund

To account for various Library Services and Technology Act (LSTA) grants that are restricted to expenditures for specified purposes.

Various Funds

To account for the following separate funds which are combined for reporting purposes:

Anderson/Mt. Washington
Gifts

Friedman
Hosbrook

Library Programs Fund

To account for various gifts that are restricted to fund library programs.

Capital Projects Funds

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to the expenditure for capital outlays including the acquisition or construction of major capital facilities and other capital assets. The following are the descriptions of the Library's nonmajor capital projects fund:

Building and Repair Fund

To account for transfers from the General Fund to be used for the acquisition of property for future capital construction, for major capital improvements, and for emergency repair of library facilities.

Permanent Funds

The Permanent Funds are used to account for gifts and investment earnings that are donor restricted to expenditure for specific purposes. The following are descriptions of the Library's nonmajor permanent funds:

Various Permanent Funds

To account for the following separate funds which are combined for reporting purposes:

Anderson Library Committee	Karline Brown	Cochran
Incidental Expenses	Haven Gillespie	Glueck
Goldsmith	Greider	Abell
Hatfield	Hattendorf	Heekin
Huenefeld	Iacobucci	Library Materials
Kahn	Kane/Merton	King
Lenke	Lewis	Marsh
Meister	Nolan	O'Brien
Plaut	DeMarke	Rhein
Schild/SCORE	Sackett	Ruth G. Stern
Stern	Striker	T & R
Trager	Valerio Family	Levesay
Dehner		

Armstrong Fund

To account for a restricted gift from the estate of George W. Armstrong, Jr. for the general use and benefit of the Library. Investment income is used for occasional special events and to supplement the Karline Brown Fund.

Feld Fund

To account for a restricted gift from the estate of Natalie Feld. Investment income is used for the purchase of books on travel and world affairs.

Hadley Fund

To account for a restricted gift from Edna Hendrie Hadley. Investment income is used for travel and study purposes for library employees.

Heisel/Dunlap Fund

To account for restricted gifts from the estates of Emma E. Heisel and Alice M. Dunlap. Investment income is used to fund educational grants for library employees.

Kersten Fund

To account for a restricted gift from the estate of Dorothy M.M. Kersten. Investment income is used to fund library programs for children and teens.

Dwyer Fund

To account for a restricted gift from the estate of Cecilia J. Dwyer. Investment income is used to support outreach services.

Howard Fund

To account for a restricted gift from the estate of Jerome Howard. Investment income is used to purchase books of non-fiction, with an emphasis on nature and fine arts.

The Public Library of Cincinnati and Hamilton County

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2012

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Nonmajor Permanent</u>	<u>Total Nonmajor Governmental</u>
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$151,027	\$6,617,664	\$2,002,968	\$8,771,659
Investments	0	0	6,389,899	6,389,899
Receivables:				
Accrued Interest	0	0	16,562	16,562
Total Assets	\$151,027	\$6,617,664	\$8,409,429	\$15,178,120
<u>Liabilities</u>				
Accounts Payable	\$1,431	\$13,560	\$9,082	\$24,073
Total Liabilities	1,431	13,560	9,082	24,073
<u>Fund Balances</u>				
Nonspendable	0	0	6,728,176	6,728,176
Restricted	149,596	0	1,672,171	1,821,767
Assigned	0	6,604,104	0	6,604,104
Total Fund Balances	149,596	6,604,104	8,400,347	15,154,047
Total Liabilities and Fund Balances	\$151,027	\$6,617,664	\$8,409,429	\$15,178,120

The Public Library of Cincinnati and Hamilton County
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2012

	<u>Various</u>	<u>Library Programs</u>	<u>Total</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$104,527	\$46,500	\$151,027
Total Assets	\$104,527	\$46,500	\$151,027
<u>Liabilities</u>			
Accounts Payable	\$51	\$1,380	\$1,431
Total Liabilities	51	1,380	1,431
<u>Fund Balances</u>			
Restricted	104,476	45,120	149,596
Total Fund Balances	104,476	45,120	149,596
 Total Liabilities and Fund Balances	 \$104,527	 \$46,500	 \$151,027

The Public Library of Cincinnati and Hamilton County
Combining Balance Sheet
Nonmajor Permanent Funds
December 31, 2012

	<u>Various Permanent</u>	<u>Armstrong</u>	<u>Feld</u>	<u>Hadley</u>	<u>Heisel/ Dunlap</u>
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$333,076	\$872,435	\$555,859	\$42,120	\$22,118
Investments	908,475	936,826	2,635,016	80,141	290,616
Receivables:					
Accrued Interest	2,355	2,428	6,829	208	753
Total Assets	<u>\$1,243,906</u>	<u>\$1,811,689</u>	<u>\$3,197,704</u>	<u>\$122,469</u>	<u>\$313,487</u>
<u>Liabilities</u>					
Accounts Payable	\$1,478	\$0	\$3,766	\$0	\$3,430
Total Liabilities	<u>1,478</u>	<u>0</u>	<u>3,766</u>	<u>0</u>	<u>3,430</u>
<u>Fund Balances</u>					
Nonspendable	958,789	986,042	2,773,445	84,350	305,883
Restricted	283,639	825,647	420,493	38,119	4,174
Total Fund Balances	<u>1,242,428</u>	<u>1,811,689</u>	<u>3,193,938</u>	<u>122,469</u>	<u>310,057</u>
Total Liabilities and Fund Balances	<u>\$1,243,906</u>	<u>\$1,811,689</u>	<u>\$3,197,704</u>	<u>\$122,469</u>	<u>\$313,487</u>

<u>Kersten</u>	<u>Dwyer</u>	<u>Howard</u>	<u>Total</u>
\$65,592	\$31,655	\$80,113	\$2,002,968
93,611	123,308	1,321,906	6,389,899
243	320	3,426	16,562
<u>\$159,446</u>	<u>\$155,283</u>	<u>\$1,405,445</u>	<u>\$8,409,429</u>

<u>\$223</u>	<u>\$0</u>	<u>\$185</u>	<u>\$9,082</u>
223	0	185	9,082

98,529	129,786	1,391,352	6,728,176
60,694	25,497	13,908	1,672,171
<u>159,223</u>	<u>155,283</u>	<u>1,405,260</u>	<u>8,400,347</u>
<u>\$159,446</u>	<u>\$155,283</u>	<u>\$1,405,445</u>	<u>\$8,409,429</u>

The Public Library of Cincinnati and Hamilton County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2012

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Permanent	Total Nonmajor Governmental
Revenues				
Intergovernmental	\$65,000	\$0	\$0	\$65,000
Earnings on investments	373	0	100,702	101,075
Contributions, gifts and donations	91,866	34,121	4,435	130,422
Miscellaneous	0	0	5,000	5,000
Total Revenues	157,239	34,121	110,137	301,497
Expenditures				
Current				
Library Services				
Public service and programs	222,151	0	81,524	303,675
Collection development and processing	2,624	0	119,632	122,256
Support Services				
Facilities operations and maintenance	13,907	1,004,187	0	1,018,094
Information services support	8,916	0	0	8,916
Business administration	1,550	0	32,184	33,734
Total Expenditures	249,148	1,004,187	233,340	1,486,675
Excess (deficiency) of revenues over (under) expenditures	(91,909)	(970,066)	(123,203)	(1,185,178)
Other Financing Sources (Uses)				
Transfers in	0	2,500,000	0	2,500,000
Proceeds from sale of capital assets	0	320,000	0	320,000
Total Other Financing Sources (Uses)	0	2,820,000	0	2,820,000
Net change in fund balances	(91,909)	1,849,934	(123,203)	1,634,822
Fund balances - beginning of year	241,505	4,754,170	8,523,550	13,519,225
Fund balances - end of year	\$149,596	\$6,604,104	\$8,400,347	\$15,154,047

The Public Library of Cincinnati and Hamilton County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2012

	<u>LSTA Grant</u>	<u>Various</u>	<u>Library Programs</u>	<u>Total</u>
<u>Revenues</u>				
Intergovernmental	\$65,000	\$0	\$0	\$65,000
Earnings on investments	0	214	159	373
Contributions, gifts and donations	0	72,963	18,903	91,866
Total Revenues	<u>65,000</u>	<u>73,177</u>	<u>19,062</u>	<u>157,239</u>
<u>Expenditures</u>				
Current				
Library Services				
Public service and programs	83,346	90,011	48,794	222,151
Collection development and processing	0	2,624	0	2,624
Support Services				
Facilities operations and maintenance	0	13,907	0	13,907
Information services support	0	8,916	0	8,916
Business administration	0	1,550	0	1,550
Total Expenditures	<u>83,346</u>	<u>117,008</u>	<u>48,794</u>	<u>249,148</u>
Net change in fund balances	(18,346)	(43,831)	(29,732)	(91,909)
Fund balances - beginning of year	18,346	148,307	74,852	241,505
Fund balances - end of year	<u>\$0</u>	<u>\$104,476</u>	<u>\$45,120</u>	<u>\$149,596</u>

The Public Library of Cincinnati and Hamilton County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Permanent Funds
For the Year Ended December 31, 2012

	<u>Various Permanent</u>	<u>Armstrong</u>	<u>Feld</u>	<u>Hadley</u>
<u>Revenues</u>				
Earnings on investments	\$27,316	\$9,598	\$22,778	\$749
Contributions, gifts and donations	4,435	0	0	0
Miscellaneous	5,000	0	0	0
Total Revenues	<u>36,751</u>	<u>9,598</u>	<u>22,778</u>	<u>749</u>
<u>Expenditures</u>				
Current				
Library Services				
Public service and programs	3,150	0	0	0
Collection development and processing	18,025	0	86,726	0
Support Services				
Business administration	13,164	0	0	1,450
Total Expenditures	<u>34,339</u>	<u>0</u>	<u>86,726</u>	<u>1,450</u>
Net change in fund balances	2,412	9,598	(63,948)	(701)
Fund balances - beginning of year	1,240,016	1,802,091	3,257,886	123,170
Fund balances - end of year	<u>\$1,242,428</u>	<u>\$1,811,689</u>	<u>\$3,193,938</u>	<u>\$122,469</u>

Heisel/ Dunlap	Kersten	Dwyer	Howard	Total
\$2,427	\$25,377	\$1,535	\$10,922	\$100,702
0	0	0	0	4,435
0	0	0	0	5,000
2,427	25,377	1,535	10,922	110,137
0	74,630	3,744	0	81,524
0	0	4,596	10,285	119,632
17,570	0	0	0	32,184
17,570	74,630	8,340	10,285	233,340
(15,143)	(49,253)	(6,805)	637	(123,203)
325,200	208,476	162,088	1,404,623	8,523,550
\$310,057	\$159,223	\$155,283	\$1,405,260	\$8,400,347

The Public Library of Cincinnati and Hamilton County

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)

LSTA Grant Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$65,000	\$65,000	\$65,000	\$0
Total revenues	65,000	65,000	65,000	0
Expenditures				
Current				
Supplies	1,050	1,050	1,050	0
Purchased and contracted services	41,000	41,000	41,000	0
Capital outlay	58,784	58,784	58,784	0
Total expenditures	100,834	100,834	100,834	0
Net change in fund balance	(35,834)	(35,834)	(35,834)	0
Fund balance at beginning of year	1,071	1,071	1,071	0
Prior year encumbrances appropriated	34,763	34,763	34,763	
Fund balance at end of year	\$0	\$0	\$0	\$0

The Public Library of Cincinnati and Hamilton County

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)

Various Funds

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Intergovernmental	\$0	\$0	\$0	\$0
Earnings on investments	175	175	213	38
Contributions, gifts and donations	64,240	64,240	72,964	8,724
Total revenues	<u>64,415</u>	<u>64,415</u>	<u>73,177</u>	<u>8,762</u>
Expenditures				
Current				
Supplies	51,158	51,158	44,114	7,044
Purchased and contracted services	37,207	37,207	30,932	6,275
Library materials and information	31,957	31,957	28,795	3,162
Capital outlay	58,543	58,543	39,396	19,147
Total expenditures	<u>178,865</u>	<u>178,865</u>	<u>143,237</u>	<u>35,628</u>
Net change in fund balance	(114,450)	(114,450)	(70,060)	44,390
Fund balance at beginning of year	145,434	145,434	145,434	0
Prior year encumbrances appropriated	28,709	28,709	28,709	0
Fund balance at end of year	<u>\$59,693</u>	<u>\$59,693</u>	<u>\$104,083</u>	<u>\$44,390</u>

The Public Library of Cincinnati and Hamilton County

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)

Library Programs Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$100	\$100	\$159	\$59
Contributions, gifts and donations	12,000	12,000	18,903	6,903
Total revenues	<u>12,100</u>	<u>12,100</u>	<u>19,062</u>	<u>6,962</u>
Expenditures				
Current				
Supplies	19,514	19,514	14,803	4,711
Purchased and contracted services	62,800	62,800	36,702	26,098
Total expenditures	<u>82,314</u>	<u>82,314</u>	<u>51,505</u>	<u>30,809</u>
Net change in fund balance	(70,214)	(70,214)	(32,443)	37,771
Fund balance at beginning of year	75,500	75,500	75,500	0
Prior year encumbrances appropriated	2,064	2,064	2,064	0
Fund balance at end of year	<u><u>\$7,350</u></u>	<u><u>\$7,350</u></u>	<u><u>\$45,121</u></u>	<u><u>\$37,771</u></u>

The Public Library of Cincinnati and Hamilton County

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis)

Building and Repair Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Contributions, gifts and donations	\$0	\$0	\$34,121	\$34,121
Total revenues	<u>0</u>	<u>0</u>	<u>34,121</u>	<u>34,121</u>
Expenditures				
Current				
Purchased and contracted services	561,011	561,011	255,947	305,064
Capital outlay	4,874,289	4,874,289	1,027,140	3,847,149
Total expenditures	<u>5,435,300</u>	<u>5,435,300</u>	<u>1,283,087</u>	<u>4,152,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,435,300)</u>	<u>(5,435,300)</u>	<u>(1,248,966)</u>	<u>4,186,334</u>
Other financing sources (uses)				
Transfers in	2,500,000	2,500,000	2,500,000	0
Proceeds from sale of capital assets	0	0	320,000	320,000
Total other financing sources (uses)	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,820,000</u>	<u>320,000</u>
Net change in fund balance	<u>(2,935,300)</u>	<u>(2,935,300)</u>	<u>1,571,034</u>	<u>4,506,334</u>
Fund balance at beginning of year	4,430,343	4,430,343	4,430,343	0
Prior year encumbrances appropriated	505,301	505,301	505,301	0
Fund balance at end of year	<u>\$2,000,344</u>	<u>\$2,000,344</u>	<u>\$6,506,678</u>	<u>\$4,506,334</u>

The Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Various Permanent Funds
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Earnings on investments	\$10,160	\$10,160	\$26,653	\$16,493
Contributions, gifts and donations	1,500	1,500	4,435	2,935
Miscellaneous	0	0	5,000	5,000
Total revenues	11,660	11,660	36,088	24,428
Expenditures				
Current				
Salaries and benefits				
Salaries and leave benefits	1,000	1,000	1,000	0
Supplies	11,223	11,223	6,696	4,527
Purchased and contracted services	50,800	50,800	9,790	41,010
Library materials and information	21,323	21,323	18,146	3,177
Total expenditures	84,346	84,346	35,632	48,714
Net change in fund balance	(72,686)	(72,686)	456	73,142
Fund balance at beginning of year	1,234,932	1,234,932	1,234,932	0
Prior year encumbrances appropriated	3,797	3,797	3,797	0
Fund balance at end of year	\$1,166,043	\$1,166,043	\$1,239,185	\$73,142

The Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Armstrong Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$7,500	\$7,500	\$8,914	\$1,414
Total revenues	<u>7,500</u>	<u>7,500</u>	<u>8,914</u>	<u>1,414</u>
Net change in fund balance	7,500	7,500	8,914	1,414
Fund balance at beginning of year	1,801,086	1,801,086	1,801,086	0
Fund balance at end of year	<u><u>\$1,808,586</u></u>	<u><u>\$1,808,586</u></u>	<u><u>\$1,810,000</u></u>	<u><u>\$1,414</u></u>

The Public Library of Cincinnati and Hamilton County

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)

Feld Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$17,000	\$17,000	\$20,853	\$3,853
Total revenues	17,000	17,000	20,853	3,853
Expenditures				
Current				
Library materials and information	216,270	216,270	91,824	124,446
Total expenditures	216,270	216,270	91,824	124,446
Net change in fund balance	(199,270)	(199,270)	(70,971)	128,299
Fund balance at beginning of year	3,252,072	3,252,072	3,252,072	0
Prior year encumbrances appropriated	6,270	6,270	6,270	0
Fund balance at end of year	\$3,059,072	\$3,059,072	\$3,187,371	\$128,299

The Public Library of Cincinnati and Hamilton County

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)

Hadley Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Earnings on investments	\$550	\$550	\$690	\$140
Total revenues	<u>550</u>	<u>550</u>	<u>690</u>	<u>140</u>
Expenditures				
Current				
Salaries and benefits				
Other employee benefits	35,500	35,500	2,300	33,200
Total expenditures	<u>35,500</u>	<u>35,500</u>	<u>2,300</u>	<u>33,200</u>
Net change in fund balance	(34,950)	(34,950)	(1,610)	33,340
Fund balance at beginning of year	123,084	123,084	123,084	0
Prior year encumbrances appropriated	500	500	500	0
Fund balance at end of year	<u>\$88,634</u>	<u>\$88,634</u>	<u>\$121,974</u>	<u>\$33,340</u>

The Public Library of Cincinnati and Hamilton County

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)

Heisel/Dunlap Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$1,750	\$1,750	\$2,215	\$465
Total revenues	1,750	1,750	2,215	465
Expenditures				
Current				
Salaries and benefits				
Other employee benefits	19,170	19,170	19,170	0
Total expenditures	19,170	19,170	19,170	0
Net change in fund balance	(17,420)	(17,420)	(16,955)	465
Fund balance at beginning of year	324,888	324,888	324,888	0
Fund balance at end of year	\$307,468	\$307,468	\$307,933	\$465

The Public Library of Cincinnati and Hamilton County

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)

Kersten Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$20,000	\$20,000	\$25,308	\$5,308
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>25,308</u>	<u>5,308</u>
Expenditures				
Current				
Supplies	70,968	70,968	50,622	20,346
Purchased and contracted services	52,200	52,200	24,999	27,201
Total expenditures	<u>123,168</u>	<u>123,168</u>	<u>75,621</u>	<u>47,547</u>
Net change in fund balance	(103,168)	(103,168)	(50,313)	52,855
Fund balance at beginning of year	208,376	208,376	208,376	0
Prior year encumbrances appropriated	443	443	443	0
Fund balance at end of year	<u>\$105,651</u>	<u>\$105,651</u>	<u>\$158,506</u>	<u>\$52,855</u>

The Public Library of Cincinnati and Hamilton County

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)

Dwyer Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	500	500	\$1,444	\$944
Total revenues	500	500	1,444	944
Expenditures				
Current				
Supplies	4,000	4,000	3,744	256
Library materials and information	5,000	5,000	4,596	404
Total expenditures	9,000	9,000	8,340	660
Net change in fund balance	(8,500)	(8,500)	(6,896)	1,604
Fund balance at beginning of year	161,836	161,836	161,836	0
Prior year encumbrances appropriated	120	120	120	0
Fund balance at end of year	\$153,456	\$153,456	\$155,060	\$1,604

The Public Library of Cincinnati and Hamilton County
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)
Howard Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Earnings on investments	<u>\$7,540</u>	<u>\$7,540</u>	<u>\$9,957</u>	<u>\$2,417</u>
Total revenues	<u>7,540</u>	<u>7,540</u>	<u>9,957</u>	<u>2,417</u>
Expenditures				
Current				
Library materials and information	<u>12,341</u>	<u>12,341</u>	<u>11,844</u>	<u>497</u>
Total expenditures	<u>12,341</u>	<u>12,341</u>	<u>11,844</u>	<u>497</u>
Net change in fund balance	<u>(4,801)</u>	<u>(4,801)</u>	<u>(1,887)</u>	<u>2,914</u>
Fund balance at beginning of year	<u>1,402,804</u>	<u>1,402,804</u>	<u>1,402,804</u>	<u>0</u>
Prior year encumbrances appropriated	<u>400</u>	<u>400</u>	<u>400</u>	<u>0</u>
Fund balance at end of year	<u>\$1,398,403</u>	<u>\$1,398,403</u>	<u>\$1,401,317</u>	<u>\$2,914</u>

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Statistical Section

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The Public Library of Cincinnati and Hamilton County

Statistical Section

This part of the Public Library of Cincinnati and Hamilton County, Ohio's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Library's overall financial health.

<u>Contents</u>	<u>Pages</u>
<i>Financial Trends</i>	58-65
These schedules contain trend information to help the reader understand how the Library's financial performance and well-being has changed over time.	
<i>Revenue Capacity</i>	66-69
These schedules contain trend information to help the reader understand the Library's most significant sources of local revenue.	
<i>Debt Capacity</i>	70
These schedules present information to help the reader assess the affordability of the Library's current service levels of outstanding debt and the Library's ability to issue additional debt in the future.	
The Library has not included a table for Direct and Overlapping Debt as the Library is a county-wide library.	
<i>Economic and Demographic Information</i>	71-73
These schedules offer economic and demographic indicators to help the reader understand the environment in which the Library's financial activities take place.	
<i>Operating Information</i>	74-77
These schedules contain service and infrastructure data to help the reader understand how the information in the Library's financial report relates to the services the Library provides and the activities it performs.	

Sources:

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Library implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

The Public Library of Cincinnati and Hamilton County
 Net Position by Component
 Last Ten Years
 (accrual basis of accounting)

	2003	2004	2005	2006
Governmental Activities:				
Invested in Capital Assets	\$99,046,288	\$96,016,005	\$93,760,981	\$91,574,791
Restricted	10,233,032	9,851,634	9,712,158	9,900,817
Unrestricted	40,014,143	36,272,139	37,934,299	40,146,200
Total Governmental Activities Net Position	\$149,293,463	\$142,139,778	\$141,407,438	\$141,621,808

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$91,680,184	\$90,835,880	\$89,021,895	\$88,091,522	\$87,483,144	\$85,838,435
11,115,987	13,616,429	10,005,862	8,908,471	8,765,055	8,549,943
<u>38,302,628</u>	<u>33,190,646</u>	<u>21,324,264</u>	<u>27,465,034</u>	<u>32,602,540</u>	<u>36,678,842</u>
<u>\$141,098,799</u>	<u>\$137,642,955</u>	<u>\$120,352,021</u>	<u>\$124,465,027</u>	<u>\$128,850,739</u>	<u>\$131,067,220</u>

The Public Library of Cincinnati and Hamilton County

Changes in Net Position

Last Ten Years

(accrual basis of accounting)

	2003	2004	2005	2006	2007
Program Revenues:					
Charges for Services:					
Library Services:					
Public Service and Programs	\$1,648,282	\$1,712,030	\$1,723,172	\$2,043,892	\$1,949,231
Collection Development and Processing	0	0	0	0	0
Operating grants, contributions, and earnings on investments:					
Library Services:					
Public Service and Programs	1,054,630	816,944	879,188	855,106	841,861
Collection Development and Processing	160,228	110,680	221,338	362,991	597,512
Support Services:					
Facilities operations and maintenance	131,800	0	207,176	184,960	419,888
Information services support	21,000	7,720	0	6,730	10,000
Business administration	7,198	0	10,278	20,621	25,869
Total Revenues	3,023,138	2,647,374	3,041,152	3,474,300	3,844,361
Expenses:					
Library Services:					
Public Service and Programs	23,787,560	25,022,480	24,809,705	24,616,153	24,757,848
Collection Development and Processing	11,973,598	11,916,433	11,347,223	11,082,554	11,739,723
Support Services:					
Facilities Operations and Maintenance	11,580,120	11,817,801	11,110,570	11,328,075	12,717,831
Information Services Support	3,079,959	3,403,299	2,947,289	3,014,084	3,038,053
Business Administration	3,585,641	3,500,376	3,397,102	3,468,006	3,458,818
Debt Service:					
Interest and Fiscal Charges	2,819	9,953	7,778	5,517	3,168
Total Expenses	54,009,697	55,670,342	53,619,667	53,514,389	55,715,441
Net Expenses	(50,986,559)	(53,022,968)	(50,578,515)	(50,040,089)	(51,871,080)
General Revenues:					
Governmental Activities:					
Grants and Contributions not Restricted to Specific Programs	48,876,713	45,044,063	48,306,813	48,307,419	49,289,425
Property taxes levied for general purposes	0	0	0	0	0
Earnings on Investments	254,478	228,453	612,660	1,057,329	1,183,073
Gain on sale of capital asset	0	0	168,179	0	87,644
Other	702,412	587,788	751,248	887,743	784,376
Contributions to Principal for Permanent Funds	4,195	8,979	7,275	1,968	3,553
Total General Revenues and Contributions	49,837,798	45,869,283	49,846,175	50,254,459	51,348,071
Change in Net Position	(\$1,148,761)	(\$7,153,685)	(\$732,340)	\$214,370	(\$523,009)

(1) In 2009 the Library experienced a 26% decrease in Public Library Funding. This severe cut prompted the need for the property tax levy in 2010.

2008	2009	2010	2011	2012
\$2,003,232 0	\$1,986,173 0	\$1,950,189 33,323	\$1,853,699 3,048	\$1,836,534 270
1,146,886 326,213	537,845 84,990	353,966 16,694	461,895 135,199	302,650 90,651
1,307 0	7,056 0	87,120 0	276,970 0	34,121 0
18,788	3,513	0	0	950
<u>3,496,426</u>	<u>2,619,577</u>	<u>2,441,292</u>	<u>2,730,811</u>	<u>2,265,176</u>
25,328,735 11,708,306	25,445,459 12,003,328	24,735,003 12,650,042	24,012,269 12,857,701	25,089,210 13,256,882
12,961,104 2,604,637 3,620,791	12,927,956 1,374,495 4,382,087	12,832,524 1,971,633 4,747,463	12,049,750 1,904,726 4,316,845	11,220,143 1,146,958 4,746,904
1,602	0	0	0	0
<u>56,225,175</u>	<u>56,133,325</u>	<u>56,936,665</u>	<u>55,141,291</u>	<u>55,460,097</u>
<u>(52,728,749)</u>	<u>(53,513,748)</u>	<u>(54,495,373)</u>	<u>(52,410,480)</u>	<u>(53,194,921)</u>
47,887,165 0	35,472,245 0	38,213,450 19,618,860	38,927,193 17,244,148	38,320,131 15,912,280
570,505 0	88,420 0	22,673 48,375	56,218 0	56,419 0
811,488 3,747	658,480 3,669	701,110 3,911	563,561 5,072	1,119,987 2,585
<u>49,272,905</u>	<u>36,222,814</u>	<u>58,608,379</u>	<u>56,796,192</u>	<u>55,411,402</u>
<u>(\$3,455,844)</u>	<u>(\$17,290,934)</u> ⁽¹⁾	<u>\$4,113,006</u>	<u>\$4,385,712</u>	<u>\$2,216,481</u>

The Public Library of Cincinnati and Hamilton County
Fund Balances - Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Nonspendable	\$0	\$0	\$0	\$0	\$0
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	0	0	0	0	0
Reserved	1,389,772	595,521	565,356	339,947	500,422
Unreserved	8,924,113	9,682,367	12,086,180	13,834,801	11,392,232
Total General Fund	<u>10,313,885</u>	<u>10,277,888</u>	<u>12,651,536</u>	<u>14,174,748</u>	<u>11,892,654</u>
All Other Governmental Funds					
Nonspendable	\$0	\$0	\$0	\$0	\$0
Restricted	0	0	0	0	0
Assigned	0	0	0	0	0
Reserved	7,266,113	7,065,895	6,715,451	7,072,431	7,395,041
Unreserved reported in:					
Special Revenue Funds	1,608,532	1,254,563	1,206,806	1,200,192	2,207,051
Capital Projects Funds	7,270,041	7,041,663	6,528,414	6,828,166	7,390,932
Permanent Funds	1,908,744	1,804,716	1,838,783	2,018,534	2,230,095
Total All Other Governmental Funds	<u>18,053,430</u>	<u>17,166,837</u>	<u>16,289,454</u>	<u>17,119,323</u>	<u>19,223,119</u>
Total Governmental Funds	<u><u>\$28,367,315</u></u>	<u><u>\$27,444,725</u></u>	<u><u>\$28,940,990</u></u>	<u><u>\$31,294,071</u></u>	<u><u>\$31,115,773</u></u>

(1) Fund balances were classified in accordance with GASB Statement No. 54.

2008	2009	2010 (1)	2011	2012
\$0	\$0	\$313,740	\$408,748	\$530,998
0	0	80,000	80,000	80,000
0	0	453,970	373,970	827,940
0	0	8,371,066	13,693,604	14,007,805
522,050	417,778	0	0	0
7,370,027	4,954,540	0	0	0
<u>7,892,077</u>	<u>5,372,318</u>	<u>9,218,776</u>	<u>14,556,322</u>	<u>15,446,743</u>
\$0	\$0	\$6,720,519	\$6,725,591	\$6,728,176
0	0	2,187,952	2,039,464	1,821,767
0	0	4,012,379	4,754,170	6,604,104
7,777,583	7,184,646	0	0	0
4,560,246	750,292	0	0	0
8,116,698	3,066,387	0	0	0
2,315,884	2,087,829	0	0	0
<u>22,770,411</u>	<u>13,089,154</u>	<u>12,920,850</u>	<u>13,519,225</u>	<u>15,154,047</u>
<u>\$30,662,488</u>	<u>\$18,461,472</u>	<u>\$22,139,626</u>	<u>\$28,075,547</u>	<u>\$30,600,790</u>

The Public Library of Cincinnati and Hamilton County
Changes in Fund Balances - Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2003	2004	2005	2006
Revenues:				
Intergovernmental	\$48,508,418	\$48,718,964	\$48,952,702	\$48,954,721
Property taxes	0	0	0	0
Fines and fees	1,648,282	1,712,030	1,723,172	2,043,892
Earnings on investments	369,154	331,505	849,015	1,486,675
Contributions, gifts, and donations	523,745	210,314	443,616	355,728
Miscellaneous	702,412	587,788	751,248	887,743
Total Revenues	51,752,011	51,560,601	52,719,753	53,728,759
Expenditures:				
Current:				
Library services:				
Public service and programs	24,770,129	24,989,151	24,875,051	24,720,722
Collection development and processing	12,038,862	11,899,780	11,457,028	11,108,535
Support Services:				
Facilities operations and maintenance	8,330,645	8,480,352	8,816,293	8,707,535
Information services support	3,994,359	3,571,299	2,954,543	3,335,661
Business administration	3,635,168	3,477,137	3,395,252	3,437,752
Debt Service:				
Principal retirement	13,550	55,519	57,695	59,956
Interest and fiscal charges	2,819	9,953	7,778	5,517
Total Expenditures	52,785,532	52,483,191	51,563,640	51,375,678
Excess of Revenues Over (Under) Expenditures	(1,033,521)	(922,590)	1,156,113	2,353,081
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	0	340,152	0
Inception of Capital Lease	297,271	0	0	0
Transfers In	318,621	0	728,618	503,545
Transfers Out	(318,621)	0	(728,618)	(503,545)
Total Other Financing Sources (Uses)	297,271	0	340,152	0
Net Change in Fund Balances	(\$736,250)	(\$922,590)	\$1,496,265	\$2,353,081
Debt Service as a Percentage of Noncapital Expenditures	0.0%	0.1%	0.1%	0.1%

2007	2008	2009	2010	2011	2012
\$49,417,777	\$48,116,998	\$38,844,386	\$38,977,457	\$39,798,636	\$37,445,155
0	0	0	17,637,711	17,613,602	15,948,657
1,949,231	2,003,232	1,986,173	1,950,189	1,853,699	1,836,534
1,677,365	1,007,491	201,158	29,558	195,357	144,720
1,438,084	2,948,735	147,387	268,006	481,376	276,749
906,360	811,488	658,480	734,433	566,910	1,121,163
55,388,817	54,887,944	41,837,584	59,597,354	60,509,580	56,772,978
24,888,966	25,354,219	25,398,385	24,862,028	24,384,028	25,405,327
11,669,590	11,695,165	11,956,325	12,637,587	12,940,503	13,475,983
12,234,308	11,211,724	10,835,165	11,000,973	10,907,773	9,191,772
3,381,801	3,405,865	1,491,889	2,734,740	1,990,538	1,632,347
3,441,977	3,625,151	4,356,836	4,738,872	4,350,817	4,862,306
62,305	48,246	0	0	0	0
3,168	859	0	0	0	0
55,682,115	55,341,229	54,038,600	55,974,200	54,573,659	54,567,735
(293,298)	(453,285)	(12,201,016)	3,623,154	5,935,921	2,205,243
115,000	0	0	55,000	0	320,000
0	0	0	0	0	0
3,300,000	2,503,043	6,680,238	2,500,000	2,500,000	2,500,000
(3,300,000)	(2,503,043)	(6,680,238)	(2,500,000)	(2,500,000)	(2,500,000)
115,000	0	0	55,000	0	320,000
(\$178,298)	(\$453,285)	(\$12,201,016)	\$3,678,154	\$5,935,921	\$2,525,243
0.1%	0.1%	0.0%	0.0%	0.0%	0.0%

Public Library of Cincinnati and Hamilton County
Assessed Value and Estimated Actual Value of Taxable Property
Last Three Years (1)

Year	Real Property			Tangible Personal Property		Totals		Ratio	Weighted Average Property Tax Rate (per \$1,000 of assessed value)
	Assessed Value			General Business		Assessed Value	Estimated Actual Value		
	Residential/ Agricultural	Commercial/ Industrial/PU	Estimated Actual Value	Assessed Value	Estimated Actual Value				
2010	\$14,056,000,000	\$5,807,000,000	\$56,751,428,571	\$32,770,000	\$131,080,000	\$19,895,770,000	\$56,882,508,571	34.98%	1.00
2011	14,030,000,000	5,590,000,000	56,057,142,857	0	0	\$19,620,000,000	56,057,142,857	35.00%	1.00
2012	12,239,420,000	5,159,970,000	49,712,542,857	0	0	17,399,390,000	49,712,542,857	35.00%	1.00

(1) Prior to 2010, the Library did not have a property tax levy.

Real property is reappraised every six years with a State mandated update of the current market value in the third year following each reappraisal.

The assessed value of real property (including public utility real property) is 35 percent of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio.

The tangible personal property values associated with 2010 represent values of telecommunications companies. 2010 is the last filing year for telecommunications companies. General business tangible personal property tax is phased out beginning in 2006 with 2010 as the last year of collection.

For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10 percent and 2 1/2 percent rollbacks and homestead exemptions before being billed.

Source: Hamilton County Auditor

Public Library of Cincinnati and Hamilton County
Property Tax Levies and Collections
Last Three Years (1)

Collection Year	Current Tax Levy (2)	Current Tax Collections	Percent of Current Tax Collections to Current Tax Levy	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Current Tax Levy
2010	\$17,829,538	\$16,367,759	91.80%	\$1,272,952	\$17,640,711	98.94%
2011	17,557,590	16,832,702	95.87%	780,900	17,613,602	100.32%
2012	15,983,633	15,202,234	95.11%	746,423	15,948,657	99.78%

Source: Office of the Auditor, Hamilton County, Ohio

(1) Prior to 2010, the Library did not have a property tax levy.

(2) Does not include homestead/rollback reimbursement from the State of Ohio.

Public Library of Cincinnati and Hamilton County

Principal Property Taxpayers

Current Year and First Year

Name of Taxpayer	2012		
	Assessed Value	Percent of Total Assesed Value	Rank
Duke Energy Ohio Inc	\$745,911,350	4.09%	1
City of Cincinnati	118,456,780	0.65%	2
Procter & Gamble Co	77,915,180	0.43%	3
Fifth Third Bank	37,192,650	0.20%	4
Dayton Power & Light	30,690,150	0.17%	5
4600 Smith Road Holdings	29,677,330	0.16%	6
Duke Realty Ohio	26,673,350	0.15%	7
Carew Realty Inc	26,646,190	0.15%	8
OTR	21,525,000	0.12%	9
Columbia Development Corp	20,448,030	0.11%	10
Total	\$1,135,136,010	6.22%	

Name of Taxpayer	2010		
	Assessed Value	Percent of Total Assesed Value	Rank
Duke Energy Ohio Inc	\$662,794,160	3.28%	1
City of Cincinnati	151,290,910	0.75%	2
Procter & Gamble Co	84,343,130	0.42%	3
Duke Realty Ohio	58,715,950	0.29%	4
Cincinnati Trophy LLC	29,827,250	0.15%	5
Carew Realty Inc	29,263,860	0.14%	6
Northgate Partners LLC	27,301,070	0.14%	7
Dayton Power & Light Co	25,571,150	0.13%	8
Columbia Development Corp	24,239,670	0.12%	9
OTR	24,150,000	0.12%	10
Total	\$1,117,497,150	5.53%	

The total assessed valuation for 2012 equals: \$18,248,918,990

The total assessed valuation for 2010 equals: \$20,218,346,410

(1) Prior to 2010, the Library did not have a property tax levy.

Source: Office of the Auditor, Hamilton County, Ohio, Total County Valuation

Public Library of Cincinnati and Hamilton County
 Direct and Overlapping Property Tax Rates
 (Per \$1,000 of Assessed Value)
 Last Three Years (1)

	2010	2011	2012
County Direct Rates			
General Fund	\$2.26	\$2.26	\$2.26
Crime Info Center	0.54	0.54	0.54
Museum Center	0.18	0.18	0.18
Zoo	0.46	0.46	0.46
Family Services & Treatment	0.34	0.34	0.34
Senior Services	1.29	1.29	1.29
Mental Health	2.99	2.99	2.99
Indigent Health Care	4.49	4.07	4.07
Children's Services	2.77	2.77	2.77
Development Disabilities	4.13	4.13	4.13
Parks	1.03	1.03	1.03
Public Library	1.00	1.00	1.00
Total Hamilton County	21.48	21.06	21.06
City Rates	65-38.52	65-20.13	65-20.13
Village Rates	3.06-20.13	1.19-40.73	1.19-40.73
School District Rates	44.90-99.72	44.18-106.97	44.18-107.77
Township Rates	3.74-26.34	5.24-26.34	5.24-26.34
Special District Rates	2.25-12.05	2.25-12.05	2.28-12.05
Joint Vocational Levy Rates	1.93-2.70	1.93-2.70	1.93-2.70

Source: Ohio Department of Taxation, County Auditor, Hamilton County.

The rates presented are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue for that year.

Rates may only be raised by obtaining the approval of a majority of the voters at a public election.

Real property tax rates are reduced so that inflationary increases in value do not generate additional taxes. Real property is reappraised every six years and property values are updated in the third year following each reappraisal.

(1) Prior to 2010, the Library did not have a property tax levy.

The Public Library of Cincinnati and Hamilton County
Ratio of Outstanding Debt By Type
Governmental Activities
Last Ten Years

Year	Capital Lease Payable	Percentage of Personal Income (1)	Per Capita (1)
2003	\$ 310,916	0.00%	0.38
2004	228,202	0.00%	0.28
2005	170,507	0.00%	0.21
2006	110,551	0.00%	0.13
2007	48,246	0.00%	0.06
2008	0	0.00%	0.00
2009	0	0.00%	0.00
2010	0	0.00%	0.00
2011	0	0.00%	0.00
2012	0	0.00%	0.00

Details regarding the Library's outstanding debt can be found in the notes to the financial statements

(1) See Demographic and Economic Statistics for personal income and population data.

The Public Library of Cincinnati and Hamilton County
Demographic and Economic Statistics
Last Ten Years

Year	Population (1)	Personal Income (2)	Per Capita Personal Income (3)	Hamilton County Unemployment Rate (4)
2003	823,472	\$ 30,078,138,272	\$ 36,526	5.1%
2004	814,611	31,294,910,787	38,417	5.6%
2005	806,652	32,215,260,924	39,937	5.7%
2006	822,596	34,002,005,660	41,335	5.0%
2007	842,369	36,038,230,558	42,782	5.0%
2008	851,494	37,703,302,826	44,279	5.6%
2009	855,062	38,234,097,330	44,715	8.9%
2010	802,374	37,227,408,738	46,397	9.4%
2011	800,362	38,425,612,445	48,010	8.6%
2012	802,038	38,947,903,470	48,561	7.0%

- Sources:** (1) U.S. Department of Commerce, U.S. Census Bureau web site
(2) Calculated based on per capita income multiplied by population
(3) U.S. Department of Commerce, Bureau of Economic Analysis web site.
Ohio's personal income increased 3.8% in 2012. County data for 2012 has been estimated based on a 3.8% increase from BEA's 2011 revised amount of \$37,522,065,000. County data released in March 2013.
(4) Ohio Department of Job and Family Services web site

Public Library of Cincinnati and Hamilton County
Principal Employers
Current Year and Nine Years Ago

Employer	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Kroger Co.	20,646	1	2.15%	13,000	3	1.33%
University of Cincinnati	15,329	2	1.60%	15,400	1	1.57%
Cincinnati Children's Hospital Medical Center	12,564	3	1.31%	7,029	10	0.72%
Procter & Gamble Co.	12,000	4	1.25%	13,000	3	1.33%
TriHealth Inc.	10,400	5	1.08%	7,055	9	0.72%
Catholic Health Partners/Mercy Health Partners	8,940	6	0.93%			
UC Health	8,670	7	0.90%			
GE Aviation	7,500	8	0.78%			
St. Elizabeth Healthcare	7,251	9	0.76%			
Fifth Third Bancorp	7,180	10	0.75%	7,800	6	0.80%
Health Alliance of Greater Cincinnati				13,139	2	1.34%
Cincinnati Public Schools				7,335	7	0.75%
City of Cincinnati				7,223	8	0.74%
Toyota Motor Manufacturing North America				8,360	5	0.85%
Average County Employment for the Year	<u>959,309</u>			<u>979,577</u>		

Sources: Cincinnati Business Courier Book of Lists 2004 (2003 data) & 2013 (2012 data)

The Public Library of Cincinnati and Hamilton County
 Library Employees by Function
 Last Ten Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
Library Services:										
Public Service and Programs	661	649	627	625	634	629	599	614	597	591
Collection Development and Processing	74	69	64	65	70	67	68	68	63	59
Support Services:										
Facilities Operations and Maintenance	85	86	79	75	75	75	75	67	54	32
Information Services Support	24	20	18	18	18	14	12	14	14	15
Business Administration	38	37	34	33	34	36	36	35	35	31
<i>Total Number of Employees</i>	<u>882</u>	<u>861</u>	<u>822</u>	<u>816</u>	<u>831</u>	<u>821</u>	<u>790</u>	<u>798</u>	<u>763</u>	<u>728</u>

Source: Library records

The Public Library of Cincinnati and Hamilton County
 Operating Indicators By Function
 Last Ten Years

Function/Program	2003	2004	2005	2006	2007
Library Services					
Public Service and Programs					
Items in Collection	10,288,800	9,574,449	9,545,692	9,551,178	9,545,414
Material Loans	14,861,011	14,713,793	14,344,449	14,783,307	14,875,594
Active Registered Borrowers	403,531	408,720	375,342	286,293	243,970
Number of Public Programs	16,169	15,417	15,546	14,874	14,033
Collection Development and Processing					
Items Purchased	373,228	369,228	358,784	355,468	369,766
Support Services					
Facilities Operations and Maintenance					
Facilities Maintained	45	45	45	45	45
Square Footage of Facilities	922,661	922,661	922,661	922,661	927,213
Information Services Support					
Computer Workstations/Devices	1,193	1,195	1,286	1,329	1,381
Online Resource Usage	14,551,253	26,245,535	34,070,381	42,994,289	71,159,640

Source: Library records

2008	2009	2010	2011	2012
9,530,479	8,959,303	8,780,764	8,819,759	9,558,816
15,627,452	16,372,499	16,311,136	17,600,307	17,335,953
241,752	271,646	349,139	425,454	483,110
14,567	14,578	14,247	17,546	20,964
367,602	361,228	381,780	340,298	321,279
45	45	45	45	43
927,213	927,213	929,982	931,537	917,083
1,757	1,789	1,834	1,941	1,934
87,344,129	110,286,831	65,046,467	137,120,046	118,964,203

The Public Library of Cincinnati and Hamilton County
 Capital Assets Statistics by Function
 Last Ten Years

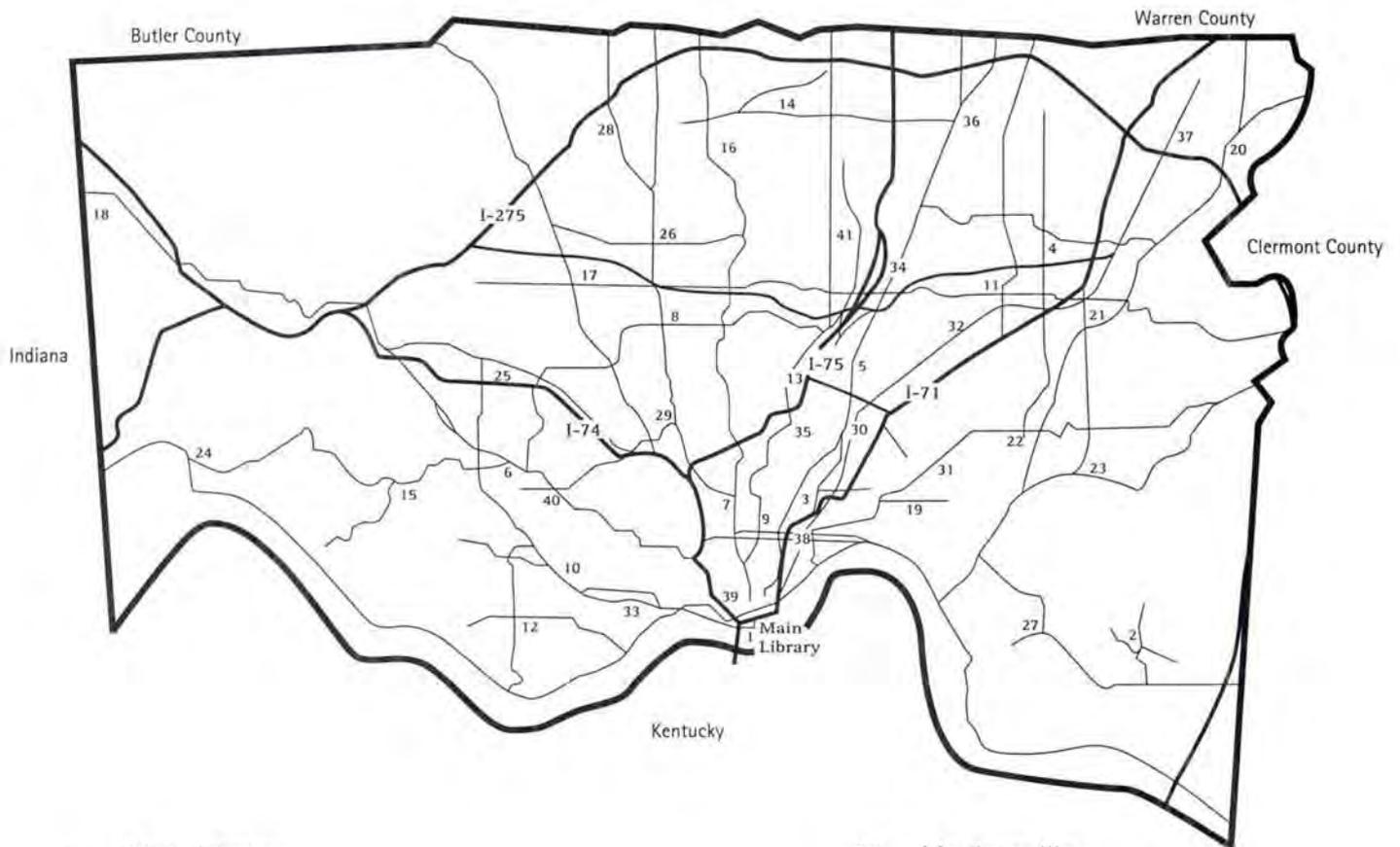
	2003	2004	2005	2006
Library Services:				
Public Service and Programs				
Land	\$12,045,336	\$12,045,336	\$12,318,298	\$12,318,597
Land improvements	356,965	374,030	358,972	355,514
Buildings and improvements	52,494,965	50,926,155	49,355,898	47,853,729
Furniture, fixtures and equipment	4,196,810	3,070,187	2,428,906	1,992,694
Collection Development and Processing				
Land	435,456	435,456	435,456	435,456
Fine Arts and Rare Books	17,614,531	17,614,531	17,614,531	17,614,531
Buildings and improvements	1,525,861	1,483,145	1,442,029	1,400,877
Furniture, fixtures and equipment	46,119	33,738	26,691	21,898
Support Services:				
Facilities Operations and Maintenance				
Land	922,056	922,056	922,056	922,056
Buildings and improvements	5,126,080	4,990,868	4,858,858	4,726,774
Furniture, fixtures and equipment	506,741	444,839	389,230	365,263
Vehicles	79,902	73,363	43,153	60,735
Construction in progress	0	0	0	0
Information Services Support				
Land	54,432	54,432	54,432	54,432
Buildings and improvements	190,733	185,393	180,254	175,110
Furniture, fixtures and equipment	454,644	405,473	398,426	359,839
Business Administration				
Land	707,617	707,617	707,617	707,617
Buildings and improvements	2,479,524	2,410,111	2,343,298	2,276,425
Furniture, fixtures and equipment	92,238	67,477	53,383	43,795
	<u>\$99,330,010</u>	<u>\$96,244,207</u>	<u>\$93,931,488</u>	<u>\$91,685,342</u>

Land improvements, buildings and improvements, furniture and equipment and vehicles are presented net of accumulated depreciation.

Source: Library capital asset records.

2007	2008	2009	2010	2011	2012
\$12,326,641	\$12,326,641	\$12,326,641	\$12,320,016	\$12,320,016	\$12,268,873
407,256	490,444	480,202	490,869	471,191	471,863
47,735,190	46,510,156	45,426,537	44,293,653	43,053,195	42,428,846
1,763,244	1,901,610	1,680,974	2,059,240	1,764,154	1,775,488
435,456	435,456	435,456	435,456	435,456	435,456
17,614,531	17,614,531	17,614,531	17,614,531	17,614,531	17,614,531
1,392,790	1,345,455	1,301,138	1,257,218	1,211,981	1,176,827
180,885	166,819	192,635	151,525	197,340	212,284
922,056	922,056	922,056	922,056	922,056	922,056
4,699,487	4,539,771	4,390,239	4,247,499	4,094,863	3,976,247
378,277	393,044	339,792	179,401	488,101	581,826
63,248	104,443	77,367	92,645	61,556	36,433
0	125,936	0	165,585	1,153,978	252,834
54,432	54,432	54,432	54,432	54,432	54,432
174,099	168,182	162,643	157,153	151,498	147,104
577,511	774,859	725,050	825,790	742,382	790,393
707,617	707,617	707,617	707,617	707,617	707,617
2,263,284	2,186,364	2,114,349	2,057,253	1,983,744	1,926,618
32,426	68,064	70,236	59,583	55,053	58,707
<u>\$91,728,430</u>	<u>\$90,835,880</u>	<u>\$89,021,895</u>	<u>\$88,091,522</u>	<u>\$87,483,144</u>	<u>\$85,838,435</u>

Public Library of Cincinnati and Hamilton County Service Areas and Locations



- | | |
|--------------------|---------------------|
| 1. Main Library | 22. Madisonville |
| 2. Anderson | 23. Mariemont |
| 3. Avondale | 24. Miami Township |
| 4. Blue Ash | 25. Monfort Heights |
| 5. Bond Hill | 26. Mt. Healthy |
| 6. Cheviot | 27. Mt. Washington |
| 7. Clifton | 28. North Central |
| 8. College Hill | 29. Northside |
| 9. Corryville | 30. Norwood |
| 10. Covedale | 31. Oakley |
| 11. Deer Park | 32. Pleasant Ridge |
| 12. Delhi Township | 33. Price Hill |
| 13. Elmwood Place | 34. Reading |
| 14. Forest Park | 35. St. Bernard |
| 15. Green Township | 36. Sharonville |
| 16. Greenhills | 37. Symmes Township |
| 17. Groesbeck | 38. Walnut Hills |
| 18. Harrison | 39. West End |
| 19. Hyde Park | 40. Westwood |
| 20. Loveland | 41. Wyoming |
| 21. Madeira | |



Dave Yost • Auditor of State

PUBLIC LIBRARY OF CINCINNATI AND HAMILTON COUNTY

HAMILTON 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
AUGUST 15, 2013**