



Dave Yost • Auditor of State

**MASON PUBLIC LIBRARY
WARREN COUNTY**

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WARREN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mason Public Library
Warren County
200 Reading Road
Mason, Ohio 45040

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, and each major fund of Mason Public Library, Warren County, Ohio (the Library), as of and for the year ended December 31, 2010, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, and each major fund of Mason Public Library, Warren County, Ohio, as of December 31, 2010, and the respective changes in modified cash financial position, thereof and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2011, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 13, 2011

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

This discussion and analysis of the Mason Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2010, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2010 are as follows:

Net assets of governmental activities decreased \$60,032, or 3.5% from the prior year. The reduction of workforce and the substantial reductions in the purchase of library materials and services allowed the expenses to decrease. The Library's general receipts are primarily from the Public Library Fund (PLF). These receipts represent 92.3 percent of the total cash received for governmental activities during the year. Mason Public Library received \$44,738 less State Funding (PLF) in 2010 than was received in 2009. Extremely low interest rates on investments have also reduced our revenue.

For the first part of the year, the library continued to operate with reduced operating hours and reduced staff. Based on statistics reported by the Ohio Library Council, as of December 2010, Ohio public libraries received nearly 23% less than they did in 2008.

Because of our dependence on the PLF and the uncertainty of that fund for the past eleven years, the Board of Trustees decided to request a levy to be put on the ballot. In May 2010, the community of Mason and Deerfield Township voted to support their library with the passage of a continuous .75 mil levy.

Thanks to our community's insight and generosity, the library is looking forward to a consistent and predictable source of income in the future. Declining funding for libraries on the state level continues to raise concerns. The continued support of the PLF will be necessary for Ohio libraries to grow with the needs of their communities.

In May 2010, after passage of the levy, the Board again reviewed the state funding projections and the anticipated expenses through year-end. The Board of Trustees resolved to restore operation hours for our patrons in June and returned work-hours to our employees. Sunday hours were not restored in 2010. The purchasing of library materials and general operation expenses continued to be severely restricted for all of 2010.

Using the Basic Financial Statements

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

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Report Components (continued)

specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2010, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the condition of the Library's capital assets, the reliance on the PLF for operations and the need for continued growth in the local government funds.

In the statement of net assets and the statement of activities, the Library reports all financial activity as Governmental Activities. This activity includes all the Library's basic activities, including library services, support services, and capital outlay. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Reporting the Library's Most Significant Funds

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

All of the Mason Public Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's only major governmental funds are the General Fund and the Building Fund.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2010 compared to 2009 on a modified cash basis:

Net Assets – Table 1

	Governmental Activities	
	2010	2009
Assets		
Cash and Cash Equivalents	1,659,206	1,720,176
Investments	11,636	10,698
Total Assets	1,670,842	1,730,874
Net Assets		
Restricted for:		
Capital Projects	1,162,630	1,160,564
Unrestricted	508,212	570,310
Total Net Assets	1,670,842	1,730,874

As mentioned previously, net assets of governmental activities decreased \$60,032 or 3.5% percent during 2010. The primary reasons contributing to the decrease in cash balances are as follows:

- State funding receipts dropped. This decrease has severely impacted the net assets and the operation of the library.
- Compared to the 2009 State Funding (PLF) of \$1,040,612, the Library received \$995,874 in 2010. This is \$44,738 less or a 4.3% drop in State Funding within one year.

Mason Public Library
Management's Discussion and Analysis
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- Since 2001, the Mason Public Library has continued to reduce library material purchases in order to minimize the net decrease.
- Interest rates on short term investments were at a historic low.

TABLE 2 – Changes in Net Assets

Table 2 reflects the changes in net assets in 2010 compared to 2009.

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
Receipts:		
Program Receipts:		
Patron Fines/Fees	<u>56,735</u>	<u>54,460</u>
Total Program Receipts	<u>56,735</u>	<u>54,460</u>
General Receipts:		
PLF	995,874	1,040,612
Gifts	14,776	133,917
Interest	9,392	13,422
Miscellaneous	<u>2,543</u>	<u>27,532</u>
Total General Receipts	<u>1,022,585</u>	<u>1,215,483</u>
Total Receipts	<u>1,079,320</u>	<u>1,269,943</u>
Disbursements:		
Library Services	1,125,507	1,292,239
Capital Outlay	<u>13,845</u>	<u>3,536</u>
Total Disbursements	<u>1,139,352</u>	<u>1,295,775</u>
Excess (Deficiency) Before Transfers	-60,032	-25,832
Transfers		
Increase (Decrease) in Net Assets	<u>-60,032</u>	<u>-25,832</u>
Net Assets, January 1	<u>1,730,874</u>	<u>1,756,706</u>
Net Assets, December 31	<u><u>1,670,842</u></u>	<u><u>1,730,874</u></u>

Program receipts represent 5.2 percent of total receipts and are primarily comprised of patron fine receipts.

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

General Fund Receipts represent 99.8 percent of the Library's total receipts. Approximately 92.4% of the General Fund Receipts are Public Library Fund taxes. Donations are very unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs of books, audio/visual materials, salaries, utilities, health insurance and retirement benefits.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The major program disbursements are for payroll and payroll related expenses, book purchases, and services related to operating a library facility.

The Mason Public Library's Funds

Total governmental funds had receipts of \$1,079,320 and disbursements of \$1,139,352. Both receipts and disbursements decreased in comparison to 2009. The total disbursements exceeded receipts by \$60,032. Because of the rapid population growth in Mason and Deerfield Township, demands for service continue to increase. Every effort is being made to continue to provide the best possible service to our patrons. The Library Board is aware the financial standings and is challenged to maintain a balanced budget while continuing to provide valuable services to our patrons.

General Fund Budgeting Highlights

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

Donations and patron fine receipts exceeded estimates, however with declining interest rates, earnings on investments feel short of estimates. Final General Fund disbursements were budgeted at \$1,586,703 while actual disbursements were \$1,247,273.

Current Issues

The challenge for all Ohio Libraries is to provide quality services to the public while staying within the restrictions imposed by state funding. In 2010, we relied almost exclusively on state funding. The PLF was funded with 2.22% of the total tax revenue received by the state, however, legislators dropped that to 1.97% in the last biennium. We hope that the State of Ohio continues to support our libraries. We are very fortunate that the community of Mason and Deerfield Township supported levy in May of 2010. We will strive to continually meet the needs and growth of our community.

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Von Barga, Fiscal Officer, Mason Public Library, 200 Reading Road, Mason Ohio 45040.

MASON PUBLIC LIBRARY, WARREN COUNTY

Statement of Net Assets - Modified Cash Basis

December 31, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,659,206
Investments	11,636
<i>Total Assets</i>	<u><u>1,670,842</u></u>
Net Assets	
Restricted for:	
Capital Projects	1,162,630
Unrestricted	508,212
<i>Total Net Assets</i>	<u><u>\$1,670,842</u></u>

See accompanying notes to the basic financial statements

MASON PUBLIC LIBRARY, WARREN COUNTY

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2010

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u> <u>Charges for Services and Sales</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u> <u>Governmental Activities</u>
Governmental Activities			
Library Services	\$1,125,507	\$56,735	(\$1,068,772)
Capital Outlay	<u>13,845</u>	<u>0</u>	<u>(13,845)</u>
<i>Total Governmental Activities</i>	1,139,352	56,735	(1,082,617)
General Receipts			
Unrestricted Gifts and Contributions			14,776
Grants and Entitlements not Restricted to Specific Prog			995,874
Earnings on Investments			9,392
Miscellaneous			<u>2,543</u>
<i>Total General Receipts</i>			1,022,585
Change in Net Assets			(60,032)
<i>Net Assets Beginning of Year</i>			<u>1,730,874</u>
<i>Net Assets End of Year</i>			<u><u>\$1,670,842</u></u>

See accompanying notes to the basic financial statements

MASON PUBLIC LIBRARY, WARREN COUNTY

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2010

	GENERAL FUND	BUILDING PROJECT FUND	TOTAL GOVERNMENTAL FUNDS
	<u> </u>	<u> </u>	<u> </u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$496,576	\$1,162,630	\$1,659,206
Investments	11,636	0	11,636
<i>Total Assets</i>	<u>508,212</u>	<u>1,162,630</u>	<u>1,670,842</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	107,922	0	107,922
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	400,290	0	400,290
Capital Projects Funds	0	1,162,630	1,162,630
<i>Total Fund Balances</i>	<u>\$508,212</u>	<u>\$1,162,630</u>	<u>\$1,670,842</u>

See accompanying notes to the basic financial statements

MASON PUBLIC LIBRARY, WARREN COUNTY

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
For the Year Ended December 31, 2010*

	GENERAL FUND	BUILDING PROJECT FUND	TOTAL GOVERNMENTAL FUNDS
Receipts			
Public Library	\$995,874	\$0	\$995,874
Patron, Fines and Fees	56,735	0	56,735
Contributions, Gifts and Donations	12,710	2,066	14,776
Earnings on Investments	9,392	0	9,392
Miscellaneous	2,543	0	2,543
Total Receipts	<u>1,077,254</u>	<u>2,066</u>	<u>1,079,320</u>
Disbursements			
Current:			
Library Services	1,125,507	0	1,125,507
Capital Outlay	13,845	0	13,845
Total Disbursements	<u>1,139,352</u>	<u>0</u>	<u>1,139,352</u>
Net Change in Fund Balances	(62,098)	2,066	(60,032)
Fund Balances Beginning of Year	<u>570,310</u>	<u>1,160,564</u>	<u>1,730,874</u>
Fund Balances End of Year	<u><u>\$508,212</u></u>	<u><u>\$1,162,630</u></u>	<u><u>\$1,670,842</u></u>

See accompanying notes to the basic financial statements

MASON PUBLIC LIBRARY, WARREN COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Public Library	\$962,374	\$970,667	\$995,874	\$25,207
Patron, Fines and Fees	42,500	42,500	56,735	14,235
Contributions, Gifts and Donations	4,000	4,000	12,710	8,710
Earnings on Investments	12,000	12,000	9,392	(2,608)
Miscellaneous	1,900	2,000	2,543	543
<i>Total receipts</i>	<u>1,022,774</u>	<u>1,031,167</u>	<u>1,077,254</u>	<u>46,087</u>
Disbursements				
Current:				
Library Services	1,441,215	1,501,551	1,213,785	287,766
Capital Outlay	45,052	45,052	33,488	11,564
<i>Total Disbursements</i>	<u>1,486,267</u>	<u>1,546,603</u>	<u>1,247,273</u>	<u>299,330</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(463,493)</u>	<u>(515,436)</u>	<u>(170,019)</u>	<u>345,417</u>
Other Financing Sources (Uses)				
Transfers In	100	0	0	0
Transfers Out	(100)	(100)	0	100
Other Financing Uses	(40,000)	(40,000)	0	40,000
<i>Total Other Financing Sources (Uses)</i>	<u>(40,000)</u>	<u>(40,100)</u>	<u>0</u>	<u>40,100</u>
<i>Net Change in Fund Balance</i>	<u>(503,493)</u>	<u>(555,536)</u>	<u>(170,019)</u>	<u>385,517</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	472,768	472,768	472,768	0
Prior Year Encumbrances Appropriated	97,541	97,541	97,541	0
<i>Unencumbered Cash Balance End of Year</i>	<u>\$66,816</u>	<u>\$14,773</u>	<u>\$400,290</u>	<u>\$385,517</u>

See accompanying notes to the basic financial statements

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Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 1 – Description of the Library and Reporting Entity

The Mason Public Library was organized as a municipal public library in 1977 under the laws of the State of Ohio. The Library has its own Board of Trustees of six members who are appointed by the Mason City Mayor. Appointments are for three-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the City of Mason and Deerfield Township. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Library's taxing authority must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Trustees.

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 the City of Mason.

The Library has no component units.

The Friends of the Mason Public Library is a not-for-profit organization with a self-appointing board. The Mason Public Library donates discarded and unused books to the Friends group. The proceeds of the book sales are the property of the Friends group. The assets of the group are for the purpose of assistance to the Library on an as-needed basis. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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

Note 2 - Summary of Significant Accounting Policies

As discussed in Note 2 C, the financial statements of the Mason Public Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. Governmental activities generally are financed through the Public Library Fund (PLF)

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include late fees, lost book fees, charges paid by the recipient of the program's goods or services, and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund – This fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

C. Basis of Accounting

The Library's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Modifications to the cash basis of accounting made by the Library are described in note 2E.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

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

E. Cash and Cash Equivalents and Investments

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2010, investments were limited to STAR Ohio and General Electric Stock. The library owns 550 shares of General Electric Stock, which were received as a donation. The value of the stock is shown as cash. The value is adjusted on an annual basis

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Interest credited to the General Fund totaled \$9,392.08 in 2010.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. The employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

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

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) rather than as an interfund receivable or payable (modified cash basis).

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 3 – Budgetary Basis of Accounting (continued)

The encumbrances outstanding at year end (budgetary basis) amounted to \$107,922 for the General fund.. There were no outstanding advances at year end.

Note 4 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days
4. Bonds and other obligations of the State of Ohio or Ohio local governments
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions
6. The State Treasurer's investment pool (STAR Ohio).

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 4 - Deposits and Investments (continued)

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Authorized investments may include investments in commercial paper and bankers acceptances with appropriate limitations if ORC training requirements have been met.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the Library by the financial institution as security for repayment or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$50.00 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

At year end, the carrying amount of the Library's deposits was \$1,533,435 and the bank balance was \$1,578,006. Of the bank balance, \$631,194 was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC. Deposits are insured by the FDIC; or collateralized by the financial institution's public entity risk pool.

The Library's investments are required to be categorized to give an indication of the level of risk assumed by the Library at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 4 - Deposits and Investments (continued)

The Library had the following investments at December 31, 2010:

	Carrying Value	Maturity
Shares of GE Stock	\$11,636	N/A
StarOhio	\$125,771	Average
Total Investments	\$137,407	

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. StarOhio carries a rating of AAAM by Standard and Poor's. Of the Library's total investments, 8.4% are GE Stock and 91.6% are StarOhio.

Note 5 – Capital Assets

The Library chooses not to report and depreciate capital assets resulting from cash transactions in the financial statements and elects not to report capital asset activity in the notes to the financial statements. Capital assets held by the Library in the year ended December 31, 2010 are as follows:

- Land and Building at 200 Reading Road
- Land Improvements – Parking lot at 200 S. West Street
- Vehicle - 2002 Dodge Caravan

Note 6 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. This chart reflects the coverage in 2010:

COMPANY	Type of Coverage	Coverage Amount
The Ohio Group	Commercial Property	6,984,825
	General Liability	4,000,000
	Vehicle	2,000,000
Cincinnati Insurance Co.	Library Officials	5,000/50,000

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

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

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 7 - Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS). 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings; and the Combined Plan—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 Member-Directed Plan.

OPERS provides retirement, disability, and survivor benefits and death benefits and annual cost-of living adjustments to members of both 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 in Chapter 45 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, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. The 2010 member contribution rates were 10.0% for members in state and local classifications. The 2010 employer contribution rate for state and local employers was 14.0% of covered payroll.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$81,184, \$89,967, and \$93,942, respectively; the full amount was contributed for 2010, 2009, and 2008. The Library had no contributions to the member-directed plan for 2010.

Note 8 - Postemployment Benefits

The Library participates in the Ohio Public Employees Retirement System (OPERS). 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 pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order 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 health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement 45.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 8 - Postemployment Benefits (continued)

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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 contributions to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contributions to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees 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. The Library contributed \$29,474 to fund post-employment benefits.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mason Public Library
Warren County
200 Reading Road
Mason, Ohio 45040

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, and each major fund of Mason Public Library, Warren County, Ohio (the Library), as of and for the year ended December 31, 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, and each major fund of Mason Public Library, Warren County, Ohio, as of December 31, 2009, and the respective changes in modified cash financial position, thereof and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2011, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 13, 2011

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

This discussion and analysis of the Mason Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2009, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2009 are as follows:

Net assets of governmental activities decreased \$25,832, or 1.5% from the prior year. The Library's general receipts are primarily from the Public Library Fund (PLF). These receipts represent 81.9 percent of the total cash received for governmental activities during the year. Mason Public Library received \$185,840 less State Funding (PLF) in 2009 than was received in 2008. The reason the overall assets did not drop dramatically in 2009 was due in large part to employee lay-offs, reduced operating hours and one generous bequest totaling \$129,638.

The decrease in state funding, combined with the rapid population growth in this service district created additional demands for materials and services. As a result of funding decreases, the services provided to the public were affected. Hours of operation were reduced 17% and the purchase of library materials was substantially reduced in order to achieve a balanced budget.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Basis of Accounting (continued)

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2009, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the condition of the Library's capital assets, the reliance on the PLF for operations and the need for continued growth in the local government funds.

In the statement of net assets and the statement of activities, the Library reports all financial activity as Governmental Activities. This activity includes all the Library's basic activities, including library services, support services, and capital outlay. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

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

All of the Mason Public Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's only major governmental funds are the General Fund and the Building Fund.

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2009 compared to 2008 on a modified cash basis:

	Net Assets – Table 1	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Assets		
Cash and Cash		
Equivalents	1,720,176	1,743,817
Investments	<u>10,698</u>	<u>12,889</u>
Total Assets	<u><u>1,730,874</u></u>	<u><u>1,756,706</u></u>
Net Assets		
Restricted for:		
Capital Projects	1,160,564	1,030,979
Unrestricted	<u>570,310</u>	<u>725,727</u>
Total Net Assets	<u><u>1,730,874</u></u>	<u><u>1,756,706</u></u>

As mentioned previously, net assets of governmental activities decreased \$25,832 or 1.5% percent during 2009. The primary reasons contributing to the slight decrease in cash balances are as follows:

- State funding receipts dropped and the cost of operation increased. This decrease, along with the PLF freeze (since 2001) has severely impacted the net assets and the operation of the library.
- Compared to the 2008 State Funding (PLF) of \$1,226,452, the Library received \$1,040,612 in 2009. This is \$185,840 less or a 15.15% drop in State Funding within one year.
- The minimal change in net assets is a result of intense cut-backs and one large bequest of \$129,638.
- Since 2001, the Mason Public Library has continually cut expenses without affecting service to the public. In 2009, those internal cuts were no longer possible. In 2009, employees began voluntarily reducing their hours. Additional employee hour reductions were mandated and five employees were terminated. Library operating hours were reduced because of the reduction in workforce.
- Interest rates on short term investments were at a historic low.

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

TABLE 2 – Changes in Net Assets

Table 2 reflects the changes in net assets in 2009 compared to 2008.

	Governmental Activities	
	2009	2008
Receipts:		
Program Receipts:		
Patron Fines/Fees	54,460	48,442
Total Program Receipts	54,460	48,442
General Receipts:		
PLF	1,040,612	1,226,452
Gifts	133,917	10,339
Interest	13,422	60,995
Miscellaneous	27,532	14,355
Total General Receipts	1,215,483	1,312,141
Total Receipts	1,269,943	1,360,583
Disbursements:		
Library Services	1,292,239	1,421,304
Capital Outlay	3,536	55,639
Other	0	12,889
Total Disbursements	1,295,775	1,489,832
Excess (Deficiency) Before Transfers	-25,832	-129,249
Transfers		
Increase (Decrease) in Net Assets	-25,832	-129,249
Net Assets, January 1	1,756,706	1,885,955
Net Assets, December 31	1,730,874	1,756,706

Program receipts represent 4.3 percent of total receipts and are comprised of patron fine receipts.

General Fund Receipts represent 89.8 percent of the Library's total receipts. Approximately 91.3% of the General Fund Receipts are Public Library Fund taxes. A bequest of \$129,638 was an unusual source of revenue in 2009. Donations are very unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs of books, audio/visual materials, salaries, utilities, health insurance and retirement benefits.

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The major program disbursements are for payroll and payroll related expenses, book purchases, and services related to operating a library facility.

The Mason Public Library's Funds

Total governmental funds had receipts of \$1,269,944 and disbursements of \$1,295,776. Both receipts and disbursements decreased in comparison to 2008. The total disbursements exceeded receipts by \$25,832. Because of the rapid population growth in Mason and Deerfield Township, demands for service continue to increase. Every effort is being made to continue to provide the best possible service to our patrons. The Library Board is aware the financial standings and is challenged to maintain a balanced budget while continuing to provide valuable services to our patrons.

General Fund Budgeting Highlights

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

Donations and patron fine receipts exceeded estimates, however with the declining interest rates, earnings on investments feel short of estimates. Final General Fund disbursements were budgeted at \$1,791,354 while actual disbursements were \$1,393,317.

Current Issues

The challenge for all Ohio Libraries is to provide quality services to the public while staying within the restrictions imposed by state funding. In 2009, we relied almost exclusively on state funding. The challenge for all Ohio Libraries is to provide quality services to the public while staying within the restrictions imposed by state funding. The PLF was funded with 2.22% of the total tax revenue received by the state, however, legislators dropped that to 1.97% in the last biennium. We hope that the State of Ohio continues to support our libraries. Public demands, technology advances, and area growth continue to increase significantly.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Von Barga, Fiscal Officer, Mason Public Library, 200 Reading Road, Mason Ohio 45040.

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MASON PUBLIC LIBRARY, WARREN COUNTY

Statement of Net Assets - Modified Cash Basis

December 31, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,720,176
Investments	10,698
<i>Total Assets</i>	<u><u>1,730,874</u></u>
Net Assets	
Restricted for:	
Capital Projects	1,160,564
Unrestricted	570,310
<i>Total Net Assets</i>	<u><u>\$1,730,874</u></u>

See accompanying notes to the basic financial statements

MASON PUBLIC LIBRARY, WARREN COUNTY

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2009

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u> <u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Assets</u>
			<u>Governmental</u> <u>Activities</u>
Governmental Activities			
Library Services	\$1,292,239	\$54,460	(\$1,237,779)
Capital Outlay	<u>3,536</u>	<u>0</u>	<u>(3,536)</u>
<i>Total Governmental Activities</i>	1,295,775	54,460	(1,241,315)
		General Receipts	
		Unrestricted Gifts and Contributions	133,917
		Grants and Entitlements not Restricted to Specific Programs	1,040,612
		Earnings on Investments	13,422
		Miscellaneous	<u>27,532</u>
		<i>Total General Receipts</i>	1,215,483
		Change in Net Assets	(25,832)
		<i>Net Assets Beginning of Year</i>	<u>1,756,706</u>
		<i>Net Assets End of Year</i>	<u><u>\$1,730,874</u></u>

See accompanying notes to the basic financial statements

MASON PUBLIC LIBRARY, WARREN COUNTY

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2009

	GENERAL FUND	BUILDING PROJECT FUND	TOTAL GOVERNMENTAL FUNDS
	<u> </u>	<u> </u>	<u> </u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$559,612	\$1,160,564	\$1,720,176
Investments	10,698	0	10,698
<i>Total Assets</i>	<u>570,310</u>	<u>1,160,564</u>	<u>1,730,874</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	97,541	0	97,541
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	472,769	0	472,769
Capital Projects Funds	0	1,160,564	1,160,564
<i>Total Fund Balances</i>	<u>\$570,310</u>	<u>\$1,160,564</u>	<u>\$1,730,874</u>

See accompanying notes to the basic financial statements

MASON PUBLIC LIBRARY, WARREN COUNTY
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
For the Year Ended December 31, 2009

	GENERAL FUND	BUILDING PROJECT FUND	TOTAL GOVERNMENTAL FUNDS
Receipts			
Public Library	\$1,040,612	\$0	\$1,040,612
Patron, Fines and Fees	54,460	0	54,460
Contributions, Gifts and Donations	4,333	129,584	133,917
Earnings on Investments	13,422	0	13,422
Miscellaneous	27,532	0	27,532
Total Receipts	<u>1,140,359</u>	<u>129,584</u>	<u>1,269,943</u>
Disbursements			
Current:			
Library Services	1,292,239	0	1,292,239
Capital Outlay	3,536	0	3,536
Total Disbursements	<u>1,295,775</u>	<u>0</u>	<u>1,295,775</u>
Net Change in Fund Balances	(155,416)	129,584	(25,832)
Fund Balances Beginning of Year	<u>725,726</u>	<u>1,030,980</u>	<u>1,756,706</u>
Fund Balances End of Year	<u><u>\$570,310</u></u>	<u><u>\$1,160,564</u></u>	<u><u>\$1,730,874</u></u>

See accompanying notes to the basic financial statements

MASON PUBLIC LIBRARY, WARREN COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Public Library	\$1,179,374	\$1,038,925	\$1,040,612	\$1,687
Patron, Fines and Fees	45,000	45,000	54,460	9,460
Contributions, Gifts and Donations	3,000	3,000	4,333	1,333
Earnings on Investments	40,000	40,000	13,422	(26,578)
Miscellaneous	500	500	27,532	27,032
<i>Total receipts</i>	<u>1,267,874</u>	<u>1,127,425</u>	<u>1,140,359</u>	<u>12,934</u>
Disbursements				
Current:				
Library Services	1,858,502	1,736,010	1,389,781	346,229
Capital Outlay	99,344	55,344	3,536	51,808
<i>Total Disbursements</i>	<u>1,957,846</u>	<u>1,791,354</u>	<u>1,393,317</u>	<u>398,037</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(689,972)</u>	<u>(663,929)</u>	<u>(252,958)</u>	<u>410,971</u>
Other Financing Sources (Uses)				
Transfers Out	(100)	(100)	0	100
Other Financing Uses	<u>(14,000)</u>	<u>(14,000)</u>	<u>0</u>	<u>14,000</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(14,100)</u>	<u>(14,100)</u>	<u>0</u>	<u>14,100</u>
<i>Net Change in Fund Balance</i>	<u>(704,072)</u>	<u>(678,029)</u>	<u>(252,958)</u>	<u>425,071</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	640,214	640,214	640,214	0
Prior Year Encumbrances Appropriated	<u>85,512</u>	<u>85,512</u>	<u>85,512</u>	<u>0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$21,654</u>	<u>\$47,697</u>	<u>\$472,768</u>	<u>\$425,071</u>

See accompanying notes to the basic financial statements

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Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 1 – Description of the Library and Reporting Entity

The Mason Public Library was organized as a municipal public library in 1977 under the laws of the State of Ohio. The Library has its own Board of Trustees of six members who are appointed by the Mason City Mayor. Appointments are for three-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the City of Mason and Deerfield Township. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Library's taxing authority must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Trustees.

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 the City of Mason.

The Library has no component units.

The Friends of the Mason Public Library is a not-for-profit organization with a self-appointing board. The Mason Public Library donates discarded and unused books to the Friends group. The proceeds of the annual book sale are the property of the Friends group. The assets of the group are for the purpose of assistance to the Library on an as-needed basis. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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

Note 2 - Summary of Significant Accounting Policies

As discussed in Note 2 C, the financial statements of the Mason Public Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. Governmental activities generally are financed through the Public Library Fund (PLF)

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include late fees, lost book fees, charges paid by the recipient of the program's goods or services, and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund – This fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

C. Basis of Accounting

The Library's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Modifications to the cash basis of accounting made by the Library are described in note 2E.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

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

E. Cash and Cash Equivalents and Investments

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2009, investments were limited to STAR Ohio and General Electric Stock. The library owns 550 shares of General Electric Stock, which were received as a donation. The value of the stock is shown as cash. The value is adjusted on an annual basis

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Interest credited to the General Fund totaled \$13,422 in 2009.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. The employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

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

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) rather than as an interfund receivable or payable (modified cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$97,541 for the General fund. There were no outstanding advances at year end.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 4 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days
4. Bonds and other obligations of the State of Ohio or Ohio local governments
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 4 - Deposits and Investments (continued)

Authorized investments may include investments in commercial paper and bankers acceptances with appropriate limitations if ORC training requirements have been met.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the Library by the financial institution as security for repayment or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$50.00 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

At year end, the carrying amount of the Library's deposits was \$1,264,597 and the bank balance was \$1,304,858. Of the bank balance, \$897,212 was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC. Deposits are insured by the FDIC; or collateralized by the financial institution's public entity risk pool.

The Library's investments are required to be categorized to give an indication of the level of risk assumed by the Library at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name.

The Library had the following investments at December 31, 2009:

	Carrying Value	Maturity
Shares of GE Stock	\$10,698	N/A
StarOhio	\$455,579	Average
Total Investments	\$466,277	

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations thereby

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 4 - Deposits and Investments (continued)

avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. StarOhio carries a rating of AAAM by Standard and Poor's. Of the Library's total investments, 2.3% are GE Stock and 97.7% are StarOhio.

Note 5 – Capital Assets

The Library chooses not to report and depreciate capital assets resulting from cash transactions in the financial statements and elects not to report capital asset activity in the notes to the financial statements. Capital assets held by the Library in the year ended December 31, 2009 are as follows:

Land and Building at 200 Reading Road
 Land Improvements – Parking lot at 200 S. West Street
 Vehicle - 2002 Dodge Caravan

Note 6 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. This chart reflects the coverage in 2009:

COMPANY	Type of Coverage	Coverage Amount
The Ohio Group	Commercial Property	6,984,825
	General Liability	4,000,000
	Vehicle	2,000,000
Cincinnati Insurance Co.	Library Officials	5,000/50,000

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

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

Note 7 - Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS). 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The Combined Plan - 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 the Traditional Pension Plan benefit. Member contributions, the investments of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 7 - Defined Benefit Pension Plan (continued)

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 in 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, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. The 2009 member contribution rates were 10.0% for members in state and local classifications. The 2009 employer contribution rate for state and local employers was 14.00% of covered payroll.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$89,967, \$93,942, and \$84,840 respectively; the full amount was contributed for 2009, 2008, and 2007. The Library had no contributions to the member-directed plan for 2009.

Note 8 - Postemployment Benefits

The Library participates in the Ohio Public Employees Retirement System (OPERS). 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.

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

In order 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 health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 8 - Postemployment Benefits (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Library contributed \$37,825 to fund post-employment benefits.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Note 9 – Leases

The library disbursed \$605 to lease a copier through March 2009. The library disbursed \$565 to lease a postage machine.

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Dave Yost • Auditor of State

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

Mason Public Library
Warren County
200 Reading Road
Mason, Ohio 45040

To the Board of Trustees:

We have audited the financial statements of the governmental activities, and each major fund of Mason Public Library, Warren County, Ohio (the Library), as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Library's basic financial statements and have issued our reports thereon dated June 13, 2011, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 13, 2011



Dave Yost • Auditor of State

MASON PUBLIC LIBRARY

WARREN 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
JUNE 28, 2011**