



**Auditor of State
Betty Montgomery**

MASON PUBLIC LIBRARY
WARREN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11

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**Auditor of State
Betty Montgomery**

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 Mason Public Library, Warren County, Ohio (the Library), as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Library as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 20, 2003

**MASON PUBLIC LIBRARY
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:					
Other Government Grants-In-Aid	\$1,145,106	\$50,000	\$0	\$0	\$1,195,106
Patron Fines and Fees	32,061	0	0	0	32,061
Earnings on Investments	8,498	0	0	0	8,498
Contributions, Gifts and Donations	2,050	0	1,811	0	3,861
Miscellaneous Receipts	27,186	0	21,108	0	48,294
Total Cash Receipts	1,214,901	50,000	22,919	0	1,287,820
Cash Disbursements:					
Current:					
Salaries and Benefits	588,545	0	0	0	588,545
Purchased and Contracted Services	112,817	0	0	0	112,817
Library Materials and Information	185,982	0	0	0	185,982
Supplies	27,272	0	0	0	27,272
Other Objects	8,089	0	0	0	8,089
Debt Service:					
Redemption of Principal	0	45,000	0	0	45,000
Interest Payments and Other Financing Fees and Costs	0	7,650	0	0	7,650
Capital Outlay	32,528	0	2,384	0	34,912
Total Cash Disbursements	955,233	52,650	2,384	0	1,010,267
Total Cash Receipts Over/(Under) Cash Disbursements	259,668	(2,650)	20,535	0	277,553
Other Financing Receipts:					
Other Financing Source	50	0	0	0	50
Total Other Financing Receipts	50	0	0	0	50
Excess of Cash Receipts Over/(Under) Cash Disbursements	259,718	(2,650)	20,535	0	277,603
Fund Cash Balances, January 1	295,121	50,000	1,297,502	0	1,642,623
Fund Cash Balances, December 31	\$554,839	\$47,350	\$1,318,037	\$0	\$1,920,226
Reserves for Encumbrances, December 31	\$192,126	\$0	\$85,051	\$0	\$277,177

The notes to the financial statements are an integral part of this statement.

**MASON PUBLIC LIBRARY
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Other Government Grants-In-Aid	\$1,197,184	\$50,000	\$0	\$0	\$1,247,184
Patron Fines and Fees	21,473	0	0	0	21,473
Earnings on Investments	30,433	0	32,540	0	62,973
Contributions, Gifts and Donations	8,549	0	4,694	0	13,243
Miscellaneous Receipts	4,969	0	0	0	4,969
Total Cash Receipts	1,262,608	50,000	37,234	0	1,349,842
Cash Disbursements:					
Current:					
Salaries and Benefits	525,367	0	0	0	525,367
Purchased and Contracted Services	114,196	0	0	0	114,196
Library Materials and Information	169,380	0	0	0	169,380
Supplies	19,473	0	0	61	19,534
Other Objects	5,396	0	0	824	6,220
Debt Service:					
Redemption of Principal	0	40,000	0	0	40,000
Interest Payments and Other Financing Fees and Costs	0	11,250	0	0	11,250
Capital Outlay	21,790	0	49,792	0	71,582
Total Cash Disbursements	855,602	51,250	49,792	885	957,529
Total Cash Receipts Over/(Under) Cash Disbursements	407,007	(1,250)	(12,558)	(885)	392,314
Other Financing Receipts/(Disbursements):					
Transfers-In	0	1,250	650,000	0	651,250
Transfers-Out	(651,250)	0	0	0	(651,250)
Other Financing Source	58	0	0	0	58
Total Other Financing Receipts/(Disbursements)	(651,192)	1,250	650,000	0	58
Excess of Cash Receipts Over/(Under) Cash Disbursements	(244,185)	0	637,442	(885)	392,372
Fund Cash Balances Restated, January 1	539,306	50,000	660,060	885	1,250,251
Fund Cash Balances, December 31	\$295,121	\$50,000	\$1,297,502	\$0	\$1,642,623
Reserves for Encumbrances, December 31	\$139,970	\$0	\$2,027	\$0	\$141,997

The notes to the financial statements are an integral part of this statement.

**MASON PUBLIC LIBRARY
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Mason Public Library, Warren County, Ohio (the Library), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the school board. The Library provides the community with various educational and literary resources.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

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 disbursements, respectively.

The investment in Star Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Donated General Electric stock is valued at the fair value at the time of donation.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project fund:

Building Fund

Used to record the related receipts and expenditures of the Library's building fund.

**MASON PUBLIC LIBRARY
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds (Expendable Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. The Library had the following significant fiduciary funds:

Parkhill Trust Fund

Used to record the receipts and expenditures of the Parkhill Trust.

Pat Griffen Fund

Used to record the receipts and expenditures of the Pat Griffen Trust Fund.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments per the Ohio Administrative Code. Unencumbered appropriations lapse at year end. Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	<u>2002</u>	<u>2001</u>
Petty Cash	\$50	\$50
Demand deposits	330,042	229,498
Total deposits	<u>330,092</u>	<u>229,548</u>
STAR Ohio	1,577,185	1,400,126
GE Stock (at cost, fair value was \$9,740 and \$16,032 at December 31, 2002 and 2001, respectively)	12,949	12,949
Total investments	<u>1,590,134</u>	<u>1,413,075</u>
Total deposits and investments	<u><u>\$1,920,226</u></u>	<u><u>\$1,642,623</u></u>

**MASON PUBLIC LIBRARY
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Donated General Electric stock exists in the physical form of stock certificates.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,550,178	\$1,147,359	\$402,819
Debt Service	52,650	52,650	0
Capital Projects	645,367	87,435	557,932
Expendable Trust	0	0	0
Total	\$2,248,195	\$1,287,444	\$960,751

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,790,838	\$1,646,822	\$144,016
Debt Service	51,250	51,250	0
Capital Projects	435,936	51,819	384,117
Expendable Trust	598	885	(287)
Total	\$2,278,622	\$1,750,776	\$527,846

In 2001, expenditures exceeded appropriations in the Expendable Trust fund.

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

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

**MASON PUBLIC LIBRARY
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)

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

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

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Library Property	10,000	9.00%
Library Building	30,000	9.00%
Total	\$40,000	

The above debt agreements were entered into in 1991 for the conveyance of land and improvements from the City of Mason to the Mason Public Library.

Amortization of the above debt, including interest, is scheduled as follows:

	Property Loan	Building Loan	Total
Year ending December 31: 2003	\$10,900	\$32,700	\$43,600
Total	\$10,900	\$32,700	\$43,600

6. RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**MASON PUBLIC LIBRARY
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. PRIOR PERIOD ADJUSTMENT

The General Fund beginning fund balance increased from December 31, 2000 to January 1, 2001 by \$8,950. The increase was a result of donated General Electric stock that was not properly recorded in a prior period.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL 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 accompanying financial statements of the Mason Public Library, Warren County, Ohio (the Library), as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated May 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated May 20, 2003.

This report is intended solely for the information and use of management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 20, 2003



**Auditor of State
Betty Montgomery**

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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
JULY 15, 2003**