



Dave Yost • Auditor of State



MASON PUBLIC LIBRARY  
WARREN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Public Library, Warren County, Ohio (the Library), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Public Library, Warren County, Ohio, as of December 31, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2017, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 8, 2017

Mason Public Library  
Warren County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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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, 2015, within the limitations of the Library's 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 2015 are as follows:

Net position of governmental activities increased \$1,173,587, or 24% from the prior year. The increase in net assets is primarily due to an increase in revenue from the PLF. The Library's general receipts are primarily from the Levy and the Public Library Fund (PLF). These receipts represent approximately 97% of the total cash received for governmental activities during the year. Although continued State support (PLF) continues to be important for all Ohio Libraries, including Mason Public Library, the levy provides stability and much-needed revenue.

**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 cash basis of accounting.

**Report Components**

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

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

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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 cash basis of accounting.

Mason Public Library  
Warren County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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**Reporting the Library as a Whole**

The statement of net position and the statement of activities reflect how the Library did financially during 2015, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the 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 position 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 as 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 fund is the General Fund.



Mason Public Library  
Warren County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2015 compared to 2014 on a cash basis:

**Net Position – Table 1**

	Governmental Activities	
	2015	2014
<b>Assets</b>		
Cash and Cash Equivalents	6,113,056	4,972,251
Investments	53,451	20,668
Total Assets	6,166,507	4,992,920
<b>Net Position</b>		
Restricted for:		
Library Services		
Unassigned	5,534,160	4,416,536
Assigned	213,017	161,332
Committed	419,330	415,052
Total Net Assets	6,166,507	4,992,920

The primary reasons for changes in cash balances are as follows:

- Compared to the 2014 State Funding (PLF) of \$1,056,137, the Library received \$1,339,835 in 2015, an increase of \$283,698 State Funding within one year.

Mason Public Library  
Warren County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

**TABLE 2 – Changes in Net Position**

Table 2 reflects the changes in net assets in 2015 compared to 2014.

	Governmental Activities	
	2015	2014
Receipts:		
Program Receipts:		
Patron Fines/Fees	46,250	47,176
Total Program Receipts	46,250	47,176
General Receipts:		
PLF	1,339,835	1,056,137
Property and Local Taxes	1,222,781	1,332,979
Intergovernmental	162,159	161,255
Gifts	11,069	18,699
Interest	14,146	7,474
Miscellaneous	3,048	15,120
Total General Receipts	2,753,038	2,591,664
Total Receipts	2,799,288	2,638,840
Disbursements:		
General Government	1,603,633	1,547,816
Capital Outlay	22,067	199,881
Other		
Total Disbursements	1,625,700	1,747,697
Excess (Deficiency) Before Transfers	1,173,588	891,143
Transfers		
Increase (Decrease) in Net Assets	1,173,588	891,143
Net Assets, Jan 1	4,992,919	4,101,777
Net Assets, Dec 31	6,166,507	4,992,919

Program receipts represent less than 3% of total receipts and are primarily comprised of patron fine receipts.

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  
Warren County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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**The Mason Public Library's Funds**

Total governmental funds had receipts of \$2,799,288 and disbursements of \$1,625,700. Receipts increased and disbursements decreased in comparison to 2014. The total receipts exceeded disbursements by \$1,173,588.

**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 exceeded estimates and patron fine receipts fell short of estimates. Earnings on investments exceeded estimates. Final disbursements were budgeted at \$3,293,770 while actual disbursements were \$1,838,717.

**Current Issues**

The challenge for all Ohio Libraries is to provide quality services to the public. The Mason Public Library is very fortunate that the community of Mason and Deerfield Township supported the levy in May of 2010. The levy has made a positive impact on the stability of our library. We also hope that the State of Ohio continues to support our libraries through the PLF. We will strive to continually meet the needs and growth of our community.

**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 Position - Cash Basis*  
*December 31, 2015*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$6,166,507
<i>Total Assets</i>	<u>\$6,166,507</u>
<b>Net Position</b>	
Unrestricted	<u>6,166,507</u>
<i>Total Net Position</i>	<u>\$6,166,507</u>

See accompanying notes to the basic financial statements

**Mason Public Library**  
**Warren County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2015*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Library Services	\$1,603,633	\$46,250	\$162,159	(\$1,395,224)
Capital Outlay	22,067			(22,067)
<i>Total Governmental Activities</i>	<u>1,625,700</u>	<u>46,250</u>	<u>162,159</u>	<u>(1,417,291)</u>
General Receipts:				
Property Taxes Levied for General Purposes				1,339,834
Unrestricted Gifts and Contributions				11,070
Grants/Entitlements not Restricted to Specific Programs				1,222,780
Earnings on Investments				14,146
Miscellaneous				3,048
<i>Total General Receipts</i>				<u>2,590,878</u>
Change in Net Position				1,173,587
<i>Net Position Beginning of Year</i>				<u>4,992,920</u>
<i>Net Position End of Year</i>				<u><u>\$6,166,507</u></u>

See accompanying notes to the basic financial statements

**Mason Public Library**  
**Warren County**  
*Statement of Assets and Fund Balances- Cash Basis*  
*Governmental Funds*  
*December 31, 2015*

	General	Other Governmental Fund	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,747,177	\$419,330	\$6,166,507
<i>Total Assets</i>	<u>\$5,747,177</u>	<u>\$419,330</u>	<u>\$6,166,507</u>
<b>Fund Balances</b>			
Committed		\$419,330	419,330
Assigned	213,017		213,017
Unassigned (Deficit)	5,534,160		5,534,160
<i>Total Fund Balances</i>	<u>\$5,747,177</u>	<u>\$419,330</u>	<u>\$6,166,507</u>

See accompanying notes to the basic financial statements

**Mason Public Library**  
**Warren County**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2015*

	General	Other Governmental Fund	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$1,339,834		\$1,339,834
Public Library	1,222,780		1,222,780
Intergovernmental	162,159		162,159
Patron Fines and Fees	46,250		46,250
Contributions, Gifts and Donations	6,792	4,278	11,070
Earnings on Investments	14,146		14,146
Miscellaneous	3,048		3,048
<i>Total Receipts</i>	<u>2,795,009</u>	<u>4,278</u>	<u>2,799,287</u>
<b>Disbursements</b>			
Current:			
Library Services	1,603,633		1,603,633
Capital Outlay	22,067		22,067
<i>Total Disbursements</i>	<u>1,625,700</u>	<u>0</u>	<u>1,625,700</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,169,309</u>	<u>4,278</u>	<u>1,173,587</u>
<i>Net Change in Fund Balances</i>	1,169,309	4,278	1,173,587
<i>Fund Balances Beginning of Year</i>	<u>4,577,868</u>	<u>415,052</u>	<u>4,992,920</u>
<i>Fund Balances End of Year</i>	<u><u>\$5,747,177</u></u>	<u><u>\$419,330</u></u>	<u><u>\$6,166,507</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, 2015*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$1,299,999	\$1,299,999	\$1,339,834	\$39,835
Public Library	1,152,594	1,152,594	1,222,780	70,186
Intergovernmental	165,000	165,000	162,159	(2,841)
Patron Fines and Fees	46,000	46,000	46,250	250
Contributions, Gifts and Donations	3,100	3,100	6,792	3,692
Earnings on Investments	4,900	4,900	14,146	9,246
Miscellaneous	1,000	1,000	3,048	2,048
<i>Total Receipts</i>	<i>2,672,593</i>	<i>2,672,593</i>	<i>2,795,009</i>	<i>122,416</i>
<b>Disbursements</b>				
Current:				
Library Services	2,460,770	2,460,770	1,815,566	645,204
Capital Outlay	325,000	325,000	23,151	301,849
<i>Total Disbursements</i>	<i>2,785,770</i>	<i>2,785,770</i>	<i>1,838,717</i>	<i>947,053</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(113,177)</i>	<i>(113,177)</i>	<i>956,292</i>	<i>1,069,469</i>
<b>Other Financing (Uses)</b>				
Transfers Out	(500,000)	(500,000)		500,000
Other Financing Uses	(8,000)	(8,000)		8,000
<i>Total Other Financing (Uses)</i>	<i>(508,000)</i>	<i>(508,000)</i>	<i>0</i>	<i>508,000</i>
<i>Net Change in Fund Balance</i>	<i>(621,177)</i>	<i>(621,177)</i>	<i>956,292</i>	<i>1,577,469</i>
<i>Unencumbered Fund Balance Beginning of Year</i>	<i>4,416,536</i>	<i>4,416,536</i>	<i>4,416,536</i>	<i>0</i>
Prior Year Encumbrances Appropriated	161,332	161,332	161,332	0
<i>Unencumbered Fund Balance End of Year</i>	<i>\$3,956,691</i>	<i>\$3,956,691</i>	<i>\$5,534,160</i>	<i>\$1,577,469</i>

See accompanying notes to the basic financial statements

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**Mason Public Library**  
**Warren County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**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 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 cash basis of accounting. This 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 cash basis of accounting.

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

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

**Mason Public Library**  
**Warren County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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The statement of net position presents the cash and investment 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 is self-financing on a 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.

#### C. Basis of Accounting

The Library's financial statements are prepared using the 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.

As a result of the use of the 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.

**Mason Public Library**  
**Warren County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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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 2015, 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, 2015.

Interest credited to the General Fund totaled \$14,146 in 2015.

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.

**Mason Public Library**  
**Warren County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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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 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 Position

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

K. Fund Balance

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

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

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

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. State Statute authorizes the Library Clerk to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

### **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 cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$213,017 for the General Fund and no encumbrances for the Building Projects 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:

**Mason Public Library**  
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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.

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



**Mason Public Library**  
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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 \$6,113,056 and the bank balance was \$6,158,025. Of the bank balance, \$5,118,321 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 as of December 31, 2015:

	Carrying Value	Maturity
Shares of GE Stock	\$ 26,317	n/a
StarOhio	\$ 27,134	Average
Total Investments	\$ 53,451	

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 therefore 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 investments, 51% are StarOhio and 49% are GE Stock.

**Note 5 – Grants in Aid, Property Taxes, and Tax Abatements**

***Grants in Aid***

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State’s general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2015 for real and public utility property taxes represents collections

**Mason Public Library**  
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*Notes to the Basic Financial Statements*  
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of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 201 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.

**Note 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 2015:

COMPANY	Type of Coverage	Coverage Amount
The Ohio Group	Commercial Property	8,621,269
	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). Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan.

The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member Directed Plan, members accumulate retirement assets equal to the value of the member and

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vested employer contributions plus any investment earnings.

The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the invest of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus OH 43215-4642 or calling 614-222-5601.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2015, member and employer contribution rates were consistent across all three plans.

The Library's 2015 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan and the Combined Plan was 1% for calendar year 2015. Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2015, 2014, and 2013 were \$93,301, \$91,795, and \$90,505, respectively; the full amount was contributed for 2015, 2014, and 2013. The Library had no contributions to the member-directed plan for 2015.

**Note 8 - Postemployment Benefits**

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**  
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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 2014, 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 and for members of the combined Plan was 2.0% for calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by the OPERS Actuary. 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.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**Note 9 – Fund Balances**

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

**Mason Public Library**  
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Fund Balances	General	Other Governmental Fund	Total
<b>Committed to</b>			
Building Projects		419,330	419,330
<b>Assigned to</b>			
Encumbrances	213,017		213,017
<b>Unassigned (Deficit)</b>	5,534,160		5,534,160
<i>Total Fund Balances</i>	\$5,747,177	\$419,330	\$6,166,507

**Note 10 – 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, 2015 are as follows:

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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mason Public Library, Warren County, Ohio, (the Library) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 8, 2017.

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

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

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

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

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

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 8, 2017





# 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  
OCTOBER 12, 2017