



Mary Taylor, CPA
Auditor of State

MASON PUBLIC LIBRARY
WARREN COUNTY

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MASON PUBLIC LIBRARY
WARREN COUNTY

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Mary Taylor, CPA

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, 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, 2008, 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(B) and 115.56 mandate 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, each major fund and the aggregate remaining fund information of Mason Public Library, Warren County, Ohio, as of December 31, 2008, the respective changes in the modified cash financial position and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2009, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 17, 2009

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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, 2008, 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 2008 are as follows:

Net assets of governmental activities decreased \$129,249, or 6.85% from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which also realized the greatest burden of increased costs in 2008.

The Library's general receipts are primarily from the Public Library Fund (PLF). These receipts represent respectively 90% of the total cash received for governmental activities during the year. The PLF receipts for 2008 increased \$3,953 compared to 2007. This increase was due to the increase in the Library's portion of the Warren County's funding formula. The combination of inflation and the rapid population growth in this service district creates additional demands for materials and services. The adjustment made by the Warren County formula offsets some of that demand.

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, 2008
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 2008, 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 LLGSF 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 significant governmental funds are presented on the financial statements in separate columns. 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, 2008
Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2008 compared to 2006 on a modified cash basis:

Net Assets - Table 1

	Governmental Activities	
	2008	2007
Assets		
Cash and Cash Equivalents	1,743,817	1,862,466
Investments	12,889	23,509
Total Assets	1,756,706	1,885,955
Net Assets		
Restricted for:		
Capital Outlay	1,030,979	1,001,496
Unrestricted	725,727	884,459
Total Net Assets	1,756,706	1,885,955

As mentioned previously, net assets of governmental activities decreased 129,249, or 6.85 percent during 2008. The primary reasons contributing to the decrease in cash balances are as follows:

- State funding receipts have not increased with the cost of operation. This long term revenue freeze is beginning to severely impact the net assets and therefore, eventually, the operations of the library.
- The slight rise (approximately 1/3 of 1%) in the PLF was due to the adjustment of the Warren County Library's funding formula. The 2008 budget and expenses were very similar to the 2007 expenses.
- Continued dramatic increases in registered patrons (10%), material circulation (9.4%), and overall population increases have created additional demand on materials and services.
- Overall revenue decreased by 1.6% and overall expenses increased by 6.6%.

Table 2 reflects the changes in net assets in 2008 compared to 2007.

Program receipts represent only 3.6 percent of total receipts and are primarily comprised of patron fine receipts.

General Fund receipts represent 90.2 percent of the Library's total receipts, and of this slightly more than 91 percent are Public Library Fund taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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.

Changes in Net Assets - Table 2

	Governmental Activities	
	2008	2007
Receipts:		
Program Receipts:		
Patron Fines/Fees	48,442	47,221
Total Program Receipts	48,442	47,221
General Receipts:		
PLF	1,226,452	1,222,499
Gifts	10,339	15,504
Interest	60,995	94,310
Miscellaneous	14,355	2,489
Total General Receipts	1,312,141	1,334,802
Total Receipts	1,360,583	1,382,023
Disbursements:		
General Government	1,421,304	1,336,284
Capital Outlay	55,639	60,921
Other	12,889	
Total Disbursements	1,489,832	1,397,205
Excess (Deficiency) Before Transfers	(129,249)	(15,182)
Transfers		
Increase (Decrease) in Net Assets	(129,249)	(15,182)
Net Assets, January 1,	1,885,955	1,901,137
Net Assets, December 31,	1,756,706	1,885,955

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.

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

The Mason Public Library's Funds

Total governmental funds had receipts of \$1,360,583 and disbursements of \$1,489,832. The receipts decreased and disbursements increased compared with 2007. For all funds, the total disbursements exceeded receipts by \$129,249. Because of the rapid population growth in Mason and Deerfield Township, demands for service continue to increase significantly. Every effort is being made to continue the current level of 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, patron fine receipts and interest receipts exceeded estimates, with earnings on investments as the most significant factor. Final General Fund disbursements were budgeted at \$2,081,486 while actual disbursements were \$1,507,371.

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. We rely almost exclusively on state funding. Although Ohio law sets library funding at 5.7% of state income taxes, our receipts have been frozen at the 2001 level. Public demands, technology advances, and area growth have increased 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, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,743,817
Investments	<u>12,889</u>
<i>Total Assets</i>	<u><u>1,756,706</u></u>
Net Assets	
Restricted for:	
Capital Projects	1,030,979
Unrestricted	<u>725,726</u>
<i>Total Net Assets</i>	<u><u>\$1,756,706</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, 2008

	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Governmental Activities
Governmental Activities		
Library Services:		
Salaries	\$672,958	(\$672,958)
Fringe Benefits	249,298	(249,298)
Purchased and Contracted Services	170,883	(170,883)
Library Materials and Information	304,470	(256,028)
Supplies	31,680	(31,680)
Other	4,904	(4,904)
Capital Outlay	55,639	(55,639)
<i>Total Governmental Activities</i>	\$1,489,832	(1,441,390)
	General Receipts	
		10,338
		1,226,452
		60,995
		14,355
	<i>Total General Receipts</i>	1,312,140
	Change in Net Assets	(129,249)
	<i>Net Assets Beginning of Year</i>	1,885,955
	<i>Net Assets End of Year</i>	\$1,756,706

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, 2008

	<u>General</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$712,837	\$1,030,979	\$1,743,816
Investments	12,889	0	12,889
<i>Total Assets</i>	<u>\$725,726</u>	<u>\$1,030,979</u>	<u>\$1,756,706</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$85,512	\$0	\$85,512
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	640,214	0	640,214
Capital Projects Funds	0	1,030,979	1,030,979
<i>Total Fund Balances</i>	<u>\$725,726</u>	<u>\$1,030,979</u>	<u>\$1,756,706</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
Governmental Funds
For the Year Ended December 31, 2008*

	General	Building Fund	Total Governmental Funds
Receipts			
Intergovernmental	\$1,226,453	\$0	\$1,226,453
Patron Fines and Fees	48,442	0	48,442
Contributions, Gifts and Donations	3,788	6,550	10,338
Earnings on Investments	55,600	5,395	60,995
Miscellaneous	14,355	0	14,355
<i>Total Receipts</i>	<u>1,348,638</u>	<u>11,945</u>	<u>1,360,583</u>
Disbursements			
Current:			
Library Services:			
Salaries	672,958	0	672,958
Employees Fringe Benefits	249,298	0	249,298
Purchased and Contractual Services	170,883	0	170,883
Library Materials and Information	299,347	5,123	304,470
Supplies	31,681	0	31,681
Other	4,904	0	4,904
Capital Outlay	55,639	0	55,639
<i>Total Disbursements</i>	<u>1,484,709</u>	<u>5,123</u>	<u>1,489,832</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(136,071)</u>	<u>6,822</u>	<u>(129,249)</u>
Other Financing Sources (Uses)			
Transfers In	0	22,661	22,661
Transfers Out	(22,661)	0	(22,661)
<i>Total Other Financing Sources (Uses)</i>	<u>(22,661)</u>	<u>22,661</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(158,732)	29,483	(129,249)
<i>Fund Balances Beginning of Year</i>	<u>884,459</u>	<u>1,001,496</u>	<u>1,885,955</u>
<i>Fund Balances End of Year</i>	<u><u>\$725,727</u></u>	<u><u>\$1,030,979</u></u>	<u><u>\$1,756,706</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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$1,256,278	\$1,230,577	\$1,226,453	(\$4,124)
Patron Fines and Fees	38,000	38,000	48,442	10,442
Contributions, Gifts and Donations	3,000	3,000	3,788	788
Earnings on Investments	30,000	30,000	55,600	25,600
Miscellaneous	150	150	14,355	14,205
<i>Total receipts</i>	<u>1,327,428</u>	<u>1,301,727</u>	<u>1,348,638</u>	<u>46,911</u>
Disbursements				
Current:				
Library Services:				
Salaries	819,500	761,000	672,958	88,042
Employees Fringe Benefits	283,825	283,825	249,298	34,527
Purchased and Contracted Services	396,109	370,408	170,883	199,525
Library Materials and Information	429,960	429,960	384,859	45,101
Supplies	45,050	45,050	31,681	13,369
Other	170,552	164,052	4,904	159,148
Capital Outlay	20,100	20,100	55,639	(35,539)
<i>Total Disbursements</i>	<u>2,165,096</u>	<u>2,074,395</u>	<u>1,570,222</u>	<u>504,173</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(837,668)</u>	<u>(772,668)</u>	<u>(221,584)</u>	<u>551,084</u>
Other Financing Sources				
Transfers Out	0	(50,100)	(22,661)	(27,439)
Other Financing Uses	(20,100)	(35,000)	0	35,000
<i>Total Other Financing Sources</i>	<u>(20,100)</u>	<u>(85,100)</u>	<u>(22,661)</u>	<u>7,561</u>
<i>Net Change in Fund Balance</i>	<u>(857,768)</u>	<u>(857,768)</u>	<u>(244,245)</u>	<u>558,645</u>
<i>Fund Balance Beginning of Year</i>	<u>884,459</u>	<u>884,459</u>	<u>884,459</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$26,691</u>	<u>\$26,691</u>	<u>\$640,214</u>	<u>\$558,645</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, 2008

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, 2008
(Continued)

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, 2008
(Continued)

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

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 2008, 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, 2008.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

In compliance with Board Resolution 71-99, interest was credited to the fund from which they arose. All interest earned on the checking account is credited to the General Fund. Board Resolution 14-08 changed the policy to improve efficiency and flexibility at year-end. Interest credited to the General Fund during 2008 amounted to \$55,600. Interest credited to the Building Fund in 2008 amounted to \$5395.

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) (and outstanding year end advances are treated as another financing source or use (budgetary 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, 2008
(Continued)

Note 3 – Budgetary Basis of Accounting (continued)

The encumbrances outstanding at year end (budgetary basis) amounted to \$85,512 for the General fund and no encumbrances for the Building fund. The outstanding advances at year end amounted to \$0 for the general fund

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, 2008
(Continued)

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.

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 \$912,385 and the bank balance was \$976,964. Of the bank balance, \$278,882 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, 2008
(Continued)

Note 4 - Deposits and Investments (continued)

Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the Library's name. STAR Ohio funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

Carrying Value	
Shares of GE Stock	\$10,620
StarOhio	\$833,701
Total Investments	\$844,321

Monies held by the Library are classified by State statute into three categories.

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, 1.3% are GE Stock and 98.7% 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, 2008 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. On July 1, the Library moved most of their insurance coverage to the Hylant Group, who manages the Ohio Plan, a co-operative of public entities throughout Ohio. During 2008, the first chart reflects the coverage from January 1 through June 30. The second chart reflects the coverage change to the Ohio Plan:

COMPANY	Type of Coverage	Coverage Amount
January-July 2008		
Motorists Mutual	Commercial Property	2,330,000
	General Liability	2,000,000
	Inland marine	20,895
	Vehicle	505,000
Federal Insurance Co.	Errors and Omissions	500,000/1,500,000
Cincinnati Insurance Co.	Library Officials	5,000/50,000

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 6 - Risk Management (continued)

COMPANY	Type of Coverage	Coverage Amount
July-December 2008		
The Ohio Plan	Commercial Property	6,831,000
	General Liability	4,000,000
	Inland marine	16,000
	Vehicle	305,000
	Errors and Omissions	2,000,000/4,000,000
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 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. Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit.

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 by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2008, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2008 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$93,942, \$84,840 and \$79,459 respectively; the full amount was contributed for 2007, 2006, and 2005. The Library had no contributions to the member-directed plan for 2008.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008
(Continued)

Note 8 - Postemployment Benefits

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 Postemployment Benefit (OPEB) as described in GASB Statement 1. The portion of employer contributions allocated to health care was 7.00% in 2008 for all employers.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2007.

The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2007 was 6.50%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 4% for the next 7 years. In subsequent years, (8 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate). OPEB is advance-funded on an actuarially determined basis.

The Traditional Pension and Combined Plans had 363,503 active contributing participants as of December 31, 2008. The number of active contributing participants for both plans used in the December 31, 2007, actuarial valuation was 364,076. The rates stated in Section A, above, are the contractually required contribution rates for OPERS.

The Library contributed \$46,971 to fund post-employment benefits. The amount of \$12.8 billion represents the actuarial funding value of OPERS' net assets available for OPEB at December 31, 2007. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2007, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB at \$29.8 billion and \$17.0 billion, respectively.

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 increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 9 – Leases

The Library leases a copier under a noncancelable lease. The Library disbursed \$1597 to pay lease costs for the year ended December 31, 2008. The Lease will end in March 2009.

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Mary Taylor, CPA

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, 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, 2008, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 17, 2009, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. 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(B) and 115.56 mandate 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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 Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 17, 2009



Mary Taylor, CPA

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, 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, 2007, 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(B) and 115.56 mandate 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, each major fund and the aggregate remaining fund information of Mason Public Library, Warren County, Ohio, as of December 31, 2007, the respective changes in the modified cash financial position and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2009, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

November 17, 2009

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2007
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, 2007, 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 2007 are as follows:

Net assets of governmental activities decreased \$15,182, or less than 1% from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which also realized the greatest burden of increased costs in 2007.

The Library's general receipts are primarily from the Local Library Government Support Fund (LLGSF). These receipts represent respectively 88.5% of the total cash received for governmental activities during the year. The LLGSF receipts for 2007 increased \$52,226 compared to 2006. This increase was due to the increase in the Mason Public Library's portion of the Warren County's funding formula. The State funding level has remained the same since 2005. The combination of inflation and the rapid population growth in this service district creates additional demands for materials and services. The adjustment made by the Warren County formula offsets some of that demand.

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, 2007
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 2007, 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 LLGSF 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 significant governmental funds are presented on the financial statements in separate columns. 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, 2007
Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2007 compared to 2006 on a modified cash basis:

Net Assets - Table 1

	Governmental Activities	
	2007	2006
Assets		
Cash and Cash Equivalents	1,862,446	1,878,022
Investments	23,509	23,115
Total Assets	1,885,955	1,901,137
Net Assets		
Restricted for:		
Capital Outlay	1,001,496	956,452
Unrestricted	884,459	944,685
Total Net Assets	1,885,955	1,901,137

As mentioned previously, net assets of governmental activities decreased 15,003, or less than one percent during 2007. The primary reasons contributing to the slight decrease in cash balances are as follows:

- Because the state funding receipts have basically remained unchanged, the 2007 budget and expenses were very similar to the 2006 expenses. Expenses have continued to rise.
- Dramatic increases in registered patrons (8.7%), material circulation (12.4%), and overall population increases have created additional demand on materials and services.

Table 2 reflects the changes in net assets in 2007 compared to 2006.

Program receipts represent only 3.4 percent of total receipts and are primarily comprised of patron fine receipts.

General Fund receipts represent 96 percent of the Library's total receipts, and of this almost 92 percent are Local Library Government Support Fund taxes. Other receipts are very insignificant and somewhat 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, 2007
Unaudited

Changes in Net Assets - Table 2

	Governmental Activities	
	2007	2006
Receipts:		
Program Receipts:		
Patron Fines/Fees	\$47,221	\$48,342
Total Program Receipts	47,221	48,342
General Receipts:		
LLGSF	1,222,499	1,170,273
Gifts	15,504	9,180
Interest	94,310	89,309
Miscellaneous	2,489	541
Total General Receipts	1,334,802	1,269,302
Total Receipts	1,382,023	1,317,644
Disbursements:		
General Government	1,336,284	1,221,449
Capital Outlay	60,914	79,344
Other		
Total Disbursements	1,397,205	1,300,793
Excess (Deficiency) Before Transfers	(15,182)	16,672
Transfers		
Increase (Decrease) in Net Assets	(15,182)	16,851
Net Assets, January 1,	1,901,137	1,884,286
Net Assets, December 31,	\$1,885,955	\$1,900,958

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 \$1,382,023 and disbursements of \$1,397,205. The receipts and disbursements both increased slightly compared with 2006. General Fund disbursements exceeded receipts by \$60,227. For all funds, the total disbursements exceeded receipts by \$15,182. Because of the rapid population growth in Mason and Deerfield Township, demands for service continue to increase significantly. Every effort is being made to continue the current level of 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.

Mason Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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, patron fine receipts and interest receipts exceeded estimates, with earnings on investments as the most significant factor. Final General Fund disbursements were budgeted at \$1,837,166 while actual disbursements were \$1,397,205.

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. We rely almost exclusively on state funding. Although Ohio law sets library funding at 5.7% of state income taxes, our receipts have been frozen at the 2001 level. Public demands, technology advances, and area growth have increased 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, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,862,446
Investments	<u>23,509</u>
<i>Total Assets</i>	<u><u>\$1,885,955</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$1,001,496
Unrestricted	<u>884,459</u>
<i>Total Net Assets</i>	<u><u>\$1,885,955</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, 2007

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Library Services:			
Salaries	\$612,947	\$0	(\$612,947)
Fringe Benefits	216,133	0	(216,133)
Purchased and Contracted Services	191,180	0	(191,180)
Library Materials and Information	276,714	47,221	(229,493)
Supplies	34,523	0	(34,523)
Other	4,608	0	(4,608)
Capital Outlay	60,921	0	(60,921)
<i>Total Governmental Activities</i>	<u>\$1,397,026</u>	<u>\$47,221</u>	(1,349,805)
		General Receipts	
		Unrestricted Gifts and Contributions	15,504
		Grants and Entitlements not Restricted	1,222,499
		Interest	94,310
		Miscellaneous	2,489
		<i>Total General Receipts</i>	1,334,802
		Change in Net Assets	(15,003)
		<i>Net Assets Beginning of Year</i>	1,900,958
		<i>Net Assets End of Year</i>	<u>\$1,885,955</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, 2007

	<u>General</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$860,950	\$1,001,496	\$1,862,446
Investments	23,509	0	23,509
<i>Total Assets</i>	<u>\$884,459</u>	<u>\$1,001,496</u>	<u>\$1,885,955</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$104,700	\$1,432	\$106,131
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	779,760	0	779,760
Special Revenue Funds	0	0	0
Capital Projects Funds	0	1,000,064	1,000,064
<i>Total Fund Balances</i>	<u>\$884,459</u>	<u>\$1,001,496</u>	<u>\$1,885,955</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
Governmental Funds
For the Year Ended December 31, 2007*

	General	Building Fund	Total Governmental Funds
Receipts			
Intergovernmental	\$1,222,499	\$0	\$1,222,499
Patron Fines and Fees	47,221	0	47,221
Contributions, Gifts and Donations	11,110	4,394	15,504
Earnings on Investments	47,078	47,232	94,310
Miscellaneous	2,489	0	2,489
<i>Total Receipts</i>	<u>1,330,396</u>	<u>51,626</u>	<u>1,382,023</u>
Disbursements			
Current:			
Library Services:			
Salaries	612,947	0	612,947
Employees Fringe Benefits	216,133	0	216,133
Purchased and Contractual Services	191,180	0	191,180
Library Materials and Information	276,714	0	276,714
Supplies	34,522	0	34,522
Other	4,608	0	4,608
Capital Outlay	54,339	6,582	60,921
<i>Total Disbursements</i>	<u>1,390,443</u>	<u>6,582</u>	<u>1,397,025</u>
<i>Net Change in Fund Balances</i>	(60,047)	45,044	(15,002)
<i>Fund Balances Beginning of Year</i>	<u>944,506</u>	<u>956,452</u>	<u>1,900,958</u>
<i>Fund Balances End of Year</i>	<u><u>\$884,459</u></u>	<u><u>\$1,001,496</u></u>	<u><u>\$1,885,955</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, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$1,222,499	\$1,222,499	\$1,222,499	(\$0)
Patron Fines and Fees	38,000	38,000	47,221	9,221
Contributions, Gifts and Donations	3,000	3,000	11,110	8,110
Earnings on Investments	18,000	18,000	47,078	29,078
Miscellaneous	200	150	2,488	2,338
<i>Total receipts</i>	<u>1,281,699</u>	<u>1,281,649</u>	<u>1,330,396</u>	<u>48,747</u>
Disbursements				
Current:				
Library Services:				
Salaries	674,500	674,500	612,947	61,553
Employees Fringe Benefits	263,004	263,004	216,133	46,871
Purchased and Contracted Services	286,900	286,900	191,180	95,720
Library Materials and Information	472,660	472,660	276,714	195,946
Supplies	45,050	45,050	34,522	10,528
Other	8,700	8,700	4,608	4,092
Capital Outlay	164,052	164,052	54,339	109,713
<i>Total Disbursements</i>	<u>1,914,866</u>	<u>1,914,866</u>	<u>1,390,443</u>	<u>524,423</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(633,167)</u>	<u>(633,217)</u>	<u>(60,047)</u>	<u>573,170</u>
Other Financing Sources				
Transfers Out	2,000	2,000	0	2,000
Other Financing Uses	25,000	25,000	0	(25,000)
<i>Total Other Financing Sources</i>	<u>27,000</u>	<u>27,000</u>	<u>0</u>	<u>(23,000)</u>
<i>Net Change in Fund Balance</i>	<u>(606,167)</u>	<u>(606,217)</u>	<u>(60,047)</u>	<u>550,170</u>
<i>Fund Balance Beginning of Year</i>	<u>944,506</u>	<u>944,506</u>	<u>944,506</u>	<u></u>
<i>Fund Balance End of Year</i>	<u>\$338,339</u>	<u>\$338,289</u>	<u>\$884,459</u>	<u>\$550,170</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, 2007

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, 2007
(Continued)

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, 2007
(Continued)

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

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 2007, 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, 2007.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Investment procedures are restricted by the provisions of the Ohio Revised Code. In compliance with H.B. 674, (Board Resolution 71-99) interest is credited to the fund from which they arose. All interest earned on the checking account is credited to the General Fund. Interest credited to the General Fund during 2007 amounted to \$47,078. Interest credited to the Building Fund in 2007 amounted to \$47,232.

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) (and outstanding year end advances are treated as another financing source or use (budgetary 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, 2007
(Continued)

Note 3 – Budgetary Basis of Accounting (continued)

The encumbrances outstanding at year end (budgetary basis) amounted to \$104,700 for the General fund and \$1,432 for the Building fund. The outstanding advances at year end amounted to \$0 for the general fund

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, 2007
(Continued)

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 \$902,155 and the bank balance was \$947,779. Of the bank balance, \$287,271 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. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the Library's name. STAR Ohio funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

Note 4 - Deposits and Investments (continued)

Carrying Value	
Shares of GE Stock	\$23,510
StarOhio	\$960,291
Total Investments	\$983,801

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, 2.4% are GE Stock and 97.6% 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, 2006 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. During 2007, the Library contracted with several companies for various types of insurance coverage as follows:

COMPANY	Type of Coverage	Coverage Amount
Motorists Mutual	Commercial Property	2,330,000
	General Liability	2,000,000
	Inland marine	20,895
	Vehicle	505,000
Federal Insurance Co.	Errors and Omissions	500,000/1,500,000
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, 2007
(Continued)

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 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. Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit.

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 by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$84,840, \$79,459, and \$75,251 respectively; the full amount was contributed for 2007, 2006, and 2005. The Library had no contributions to the member-directed plan for 2007.

Note 8 - Postemployment Benefits

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 Postemployment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2007, local government employer units contributed at 13.85% of covered payroll. The portion of employer contributions, for all employers, allocated to health care was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007. The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2006. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Mason Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

Note 8 - Postemployment Benefits (continued)

The investment assumption rate for 2006 was 6.50%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 5.00% for the next 8 years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4.00% (the projected wage inflation rate). OPEB is advance-funded on an actuarially determined basis.

The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. The rates stated in Section A, above, are the contractually required contribution rates for OPERS.

The Library contributed \$33,696 to fund post-employment benefits. The amount of \$12.0 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2006, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB at \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 9 – Leases

The Library leases a copier under a noncancelable lease. The Library disbursed \$1625 to pay lease costs for the year ended December 31, 2007. Lease costs for 2008 will be \$1560.

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Mary Taylor, CPA

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, 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, 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 17, 2009, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. 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(B) and 115.56 mandate 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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 Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 17, 2009



Mary Taylor, CPA
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
DECEMBER 10, 2009**