



**Auditor of State
Betty Montgomery**

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Assets and Fund Balances General, Unrestricted and Restricted - For the Year Ended December 31, 2003	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances For the Year Ended December 31, 2003	4
Combined Statement of Assets and Fund Balances General, Unrestricted and Restricted - For the Year Ended December 31, 2002	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances - For the Year Ended December 31, 2002	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Lima Library Association
Allen County
650 West Market Street
P.O. Box 298
Lima, Ohio 45801

To the Board of Trustees:

We have audited the accompanying financial statements of the Lima Library Association, Allen County, (the Association), a component unit of the Lima Public Library, as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the Association prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined assets and fund balances of the Association, as of December 31, 2003 and 2002, and its combined receipts and disbursements for the years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2004, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain restricted trust agreements. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Lima Library Association
Allen County
Independent Accountants' Report
Page 2

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

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

Betty Montgomery
Auditor of State

April 8, 2004

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**COMBINED STATEMENT OF ASSETS AND FUND BALANCES
GENERAL, UNRESTRICTED AND RESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2003**

	General	Unrestricted	Restricted	Total (Memorandum Only)
Current Assets:				
Cash	\$422,737	\$51,091	\$12,361	\$486,189
Note Receivable	1,000			1,000
Account Receivable	4,015			4,015
 Investments - Mutual Funds:				
Money Market	19,966	7,176	2,790	29,932
Bonds and Notes	544,157	195,581	76,041	815,779
Common Stock	751,196	269,995	104,974	1,126,165
International	267,998	96,324	37,450	401,772
Other Investments			9,569	9,569
 Property and Equipment (Net of Accumulated Depreciation)	358,556			358,556
 Total Assets	2,369,625	620,167	243,185	3,232,977
 Fund Balances:				
Unrestricted	2,369,625	620,167		2,989,792
Restricted:				
Temporarily Restricted			106,143	106,143
Permanently Restricted			137,042	137,042
 Fund Balances, December 31, 2003	\$2,369,625	\$620,167	\$243,185	\$3,232,977

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

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total (Memorandum Only)</u>
Receipts:				
Dividends and Interest	\$44,027			\$44,027
Capital Transactions	(123,837)			(123,837)
Rental Income	221			221
Interest Income	2,323	\$420	\$3,710	6,453
Gain on Sale of Land	176,101			176,101
Donations		11,308	9,894	21,202
Miscellaneous Receipts	469			469
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts	99,304	11,728	13,604	124,636
Disbursements and Depreciation:				
Donations	10,000			10,000
Accounting	5,480			5,480
Legal	9,005			9,005
Harris Trust Management Service	4,000			4,000
Capital Outlay		8,164		8,164
Books and Subscriptions			629	629
Postage	170			170
Yard Care	2,250			2,250
Supplies	138		50	188
Flowers and Gifts	143	75		218
Medical	1,044			1,044
Meeting Expense	1,837			1,837
Christmas Expense	800			800
Dues	1,693			1,693
Miscellaneous Expenses	3,573			3,573
Insurance	2,573			2,573
Taxes	905			905
Fundraising Expense	873	5,028	3,584	9,485
Depreciation	1,863			1,863
	<hr/>	<hr/>	<hr/>	<hr/>
Total Disbursements and Depreciation	46,347	13,267	4,263	63,877
Total Receipts Over (Under) Disbursements	52,957	(1,539)	9,341	60,759
Fund Balances, January 1, 2003	2,316,668	621,706	233,844	3,172,218
Fund Balances, December 31, 2003	<u>\$2,369,625</u>	<u>\$620,167</u>	<u>\$243,185</u>	<u>\$3,232,977</u>

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

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**COMBINED STATEMENT OF ASSETS AND FUND BALANCES
GENERAL, UNRESTRICTED AND RESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total (Memorandum Only)</u>
Current Assets:				
Cash	\$140,456	\$52,631	\$16,299	\$209,386
Note Receivable	1,000			1,000
Investments - Mutual Funds:				
Money Market	18,679	6,220	2,378	27,277
Bonds and Notes	558,639	186,026	71,114	815,779
Common Stock	856,495	285,211	109,030	1,250,736
International	275,131	91,618	35,023	401,772
Property and Equipment (Net of Accumulated Depreciation)	466,268			466,268
Total Assets	<u>2,316,668</u>	<u>621,706</u>	<u>233,844</u>	<u>3,172,218</u>
Fund Balances:				
Unrestricted	2,316,668	621,706		2,938,374
Restricted:				
Temporarily Restricted			96,811	96,811
Permanently Restricted			137,033	137,033
Fund Balances, December 31, 2002	<u>\$2,316,668</u>	<u>\$621,706</u>	<u>\$233,844</u>	<u>\$3,172,218</u>

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

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total (Memorandum Only)</u>
Receipts:				
Dividends and Interest	\$49,257			\$49,257
Capital Transactions	(19,802)			(19,802)
Rental Income	360			360
Interest Income	2,950	\$406	\$4,074	7,430
Donations		25,628	780	26,408
Miscellaneous Receipts	176			176
	<u>32,941</u>	<u>26,034</u>	<u>4,854</u>	<u>63,829</u>
Disbursements and Depreciation:				
Donations	86,000	24,000		110,000
Accounting	5,910			5,910
Legal	8,182			8,182
Harris Trust Management Service	5,000			5,000
Capital Outlay		3,327		3,327
Books and Subscriptions			1,157	1,157
Postage	150			150
Yard Care	1,950	657		2,607
Flowers and Gifts	313			313
Meeting Expense	1,074			1,074
Christmas Expense	961			961
Dues	1,122			1,122
Miscellaneous Expenses	34			34
Insurance	2,573			2,573
Taxes	958			958
Appraisal Fee	2,064			2,064
Audit Services	4,456			4,456
Depreciation	1,970			1,970
	<u>122,717</u>	<u>27,984</u>	<u>1,157</u>	<u>151,858</u>
Total Receipts Over/(Under) Disbursements	(89,776)	(1,950)	3,697	(88,029)
Fund Balances, January 1, 2002	2,406,444	623,656	230,147	3,260,247
Fund Balances, December 31, 2002	<u>\$2,316,668</u>	<u>\$621,706</u>	<u>\$233,844</u>	<u>\$3,172,218</u>

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

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. ORGANIZATION AND PURPOSE

The Lima Library Association, Allen County, (the Association) is a not-for-profit corporation that was incorporated in 1884. The Association was formed for the purpose of owning and acquiring books by purchase or gift and keeping the same as a public library in Lima, Ohio. When the Lima Public Library was created, the Association remained intact with the purpose of supporting the Library.

During the year 2000, the Association updated their Code of Regulations and Articles of Incorporation, which outlined the relationship between the Association and the Lima Public Library and the Lima City School District.

The Association is exempt from federal income taxes under Internal Revenue Code Section 509 (a) 3. The Association's existence and tax-exempt status is tied to the purpose of benefiting the Lima Public Library.

The Association is a component unit of the Lima Public Library.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Association's financial statements are prepared using a modified cash basis of accounting. Receipts are recognized when earned, and disbursements are recognized when paid rather than when a liability is incurred. Except that the Association has chosen to report fixed assets and recognize depreciation; they also record a long-term note receivable, and accounts receivable.

The financial statements classify fund balances as restricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions on the use of financial assets.

B. Cash and Investments

Stocks, and mutual funds, which consist of bonds and notes, are valued at cost.

C. Basis for Presentation

The Association has three types of funds: general operating, restricted, and unrestricted.

1. **General Fund** - The General Fund is the general operating fund of the Association. All revenues, except interest that is restricted and new donations, and all expenses, except those pertaining to the Restricted and Unrestricted Funds, are posted to the General Fund.
2. **Unrestricted Funds** - These funds are used to account for specific memorial funds set up through private citizens' donations. The expenses of these funds are not restricted by donor-imposed restrictions.
3. **Restricted Funds** - These funds are used to account for specific memorial funds set up through private citizens' donations. The expenses of these funds are restricted by donor-imposed restrictions. Some of these funds have an additional restriction that only the income or a portion of it may be expended. The unexpended portion of these donations is reflected as permanently restricted fund balances in the financial statements.

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Property, Plant and Equipment

Property and equipment are recorded at cost or fair value if acquired by donation. Depreciation is computed using the declining balance method, except for parking lot improvements which are depreciated using the straight-line method, based upon estimated useful lives of the assets. The Association uses the following life of assets for their calculations: equipment - 5 and 7 years, land improvements and parking lots – 7, 15 and 20 years.

E. Note Receivable

The note receivable represents a deposit made to an organization that is refundable upon resignation from the organization.

3. POOLED CASH AND INVESTMENTS

The Association maintains a cash and investments pool used by all funds. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Demand deposits	\$486,189	\$209,386
Investments – Mutual Funds:		
Money Market	29,932	27,277
Bonds and Notes	815,779	815,779
Common Stock	1,126,165	1,250,736
International	401,772	401,772
Total Investments	2,373,648	2,495,564
Other Investments - Stock	9,569	0
Total Deposits and Investments	\$2,869,406	\$2,704,950

A. Deposits

The Association deposits are insured through the Federal Depository Insurance Corporation in an amount up to \$100,000 in each bank. The remaining amounts were uninsured and uncollateralized.

B. Investments

The investment trust department maintains records identifying the Association as owner of the securities. The fair value of the mutual funds as of December 31, 2003, and 2002 are \$2,522,571 and \$2,097,177 respectively.

C. Other Investments – Stock

The stock is carried at cost basis.

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY AND EQUIPMENT

A summary of fixed assets at December 31, follows:

Classification	2003	2002
Land	\$307,538	\$413,388
Land Improvement	589	697
Parking Lot and improvements	50,376	52,048
Equipment	53	135
Total	<u>\$358,556</u>	<u>\$466,268</u>

The amounts listed are net of accumulated depreciation.

During 2002, the Lima Library Association and St. Rita's Hospital exchanged properties. This was a property for property exchange only; there was no cash, notes, or other considerations involved.

5. RISK MANAGEMENT

The Association has obtained commercial insurance for comprehensive property (building) and general liability.

6. RELATED PARTY TRANSACTIONS

The Association purchased equipment, books, artwork, and other numerous items on behalf of the Lima Public Library in the amounts of \$14,528, during 2003, and \$113,502, during 2002.

The Association owns the land upon which the Lima Public Library stands. On January 15, 2002 the Association voted to forego the monthly rent normally received from the Library for calendar years 2003 and 2002.

The Association purchased land on Sunnydale Drive in Elida, Ohio for \$26,507. This will eventually be used for construction of the Elida Branch of the Lima Public Library.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Lima Library Association
Allen County
650 West Market Street
P.O. Box 298
Lima, Ohio 45801

To the Board of Trustees:

We have audited the financial statements of the Lima Library Association, Allen County, (the Association), a component unit of the Lima Public Library, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Association in a separate letter dated April 8, 2004.

Lima Library Association
Allen County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

April 8, 2004



**Auditor of State
Betty Montgomery**

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LIMA LIBRARY ASSOCIATION

ALLEN 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
MAY 6, 2004**