

**LIMA LIBRARY ASSOCIATION  
ALLEN COUNTY  
Regular Audit  
December 31, 2005 and 2004**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Lima Library Association  
650 West Market Street  
P. O. Box 298  
Lima, Ohio 45801

We have reviewed the *Independent Accountants' Report* of the Lima Library Association, Allen County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lima Library Association is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 9, 2007

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**LIMA LIBRARY ASSOCIATION  
ALLEN COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

December 5, 2006

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

To the Board of Trustees:

We have audited the accompanying financial statements of Lima Library Association, Allen County, Ohio, (the Association) a component unit of the Lima Public Library, as of and for the years ended December 31, 2005 and 2004. 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 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Association has prepared these 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 cash balances of the Association, as of December 31, 2005 and 2004, and its combined receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

Lima Library Association  
Allen County  
Independent Accountants' Report  
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2006, on our consideration of the Association'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.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**LIMA LIBRARY ASSOCIATION  
ALLEN COUNTY**

**COMBINED STATEMENT OF ASSETS AND FUND BALANCES  
GENERAL, UNRESTRICTED AND RESTRICTED  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>General</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Totals (Memorandum Only)</b>
<b>Current Assets:</b>				
Cash	\$ 369,003	\$ 60,900	\$ 38,341	\$ 468,244
Notes Receivable	1,000			1,000
Investments-Mutual Funds:				
Money Market	35,155	10,101	3,935	49,191
Bonds and Notes	583,527	166,990	65,262	815,779
Common Stock	1,306,700	373,951	145,015	1,825,666
Other Investments			9,569	9,569
Property and Equipment (Net of Accumulated Depreciation)	355,593			355,593
<b>Total Net Assets</b>	<b>2,650,978</b>	<b>611,942</b>	<b>262,122</b>	<b>3,525,042</b>
<b>Fund Balances:</b>				
Unrestricted	2,650,978	611,942		3,262,920
Restricted:				
Temporarily Restricted			115,063	115,063
Permanently Restricted			147,059	147,059
Fund Balances, December 31, 2005	<b>\$ 2,650,978</b>	<b>\$ 611,942</b>	<b>\$ 262,122</b>	<b>\$ 3,525,042</b>

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



**LIMA LIBRARY ASSOCIATION  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals (Memorandum Only)</u>
<b>Receipts:</b>				
Dividends & Interest	\$ 45,486	\$ 321	\$ 3,885	\$ 49,692
Capital Transactions	194,314			194,314
Donations			385	385
Miscellaneous Receipts	359			359
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts	240,159	321	4,270	244,750
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Disbursements and Depreciation:</b>				
Donations	2,200	5,395	98	7,693
Accounting	5,880			5,880
Legal	16,941			16,941
Harris Trust Management Fee	4,000			4,000
Books and Subscriptions			841	841
Yard Care	1,333		307	1,640
Supplies	193			193
Flowers and Gifts	179			179
Medical	1,008			1,008
Meeting Expenses	943		240	1,183
Christmas Expenses	904			904
Dues	6,333			6,333
Miscellaneous Expenses	0		346	346
Insurance	4,040			4,040
Taxes	757			757
Depreciation	1,239			1,239
Bank Fees	31			31
Spencerville		1,318		1,318
Miscellaneous Labor	64			64
Book Bags			930	930
Reception	137			137
Appraisal Fees		300		300
Programs	32			32
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	46,214	7,013	2,762	55,989
	<hr/>	<hr/>	<hr/>	<hr/>
Net Income	193,945	(6,692)	1,508	188,761
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balance, January 1	2,457,033	618,634	260,614	3,336,281
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balance, December 31</b>	<u>\$ 2,650,978</u>	<u>\$ 611,942</u>	<u>\$ 262,122</u>	<u>\$ 3,525,042</u>

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

**LIMA LIBRARY ASSOCIATION  
ALLEN COUNTY**

**COMBINED STATEMENT OF ASSETS AND FUND BALANCES  
GENERAL, UNRESTRICTED AND RESTRICTED  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals (Memorandum Only)</u>
<b>Current Assets:</b>				
Cash	\$ 385,517	\$ 57,337	\$ 30,787	\$ 473,641
Notes Receivable	1,000			1,000
Investments-Mutual Funds:				
Money Market	33,467	10,774	3,868	48,109
Bonds and Notes	560,077	183,572	72,130	815,779
Common Stock	1,120,140	366,951	144,261	1,631,352
Other Investments			9,569	9,569
Property and Equipment (Net of Accumulated Depreciation)	356,831			356,831
<b>Total Net Assets</b>	<u>2,457,033</u>	<u>618,634</u>	<u>260,614</u>	<u>3,336,281</u>
<b>Fund Balances:</b>				
Transfer to Designated Fund	(20,000)			(20,000)
Unrestricted	2,477,033	618,634		3,095,667
Restricted:				
Temporarily Restricted			113,564	113,564
Permanently Restricted			147,050	147,050
Fund Balances, December 31, 2004	<u>\$ 2,457,033</u>	<u>\$ 618,634</u>	<u>\$ 260,614</u>	<u>\$ 3,336,281</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, 2004**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals (Memorandum Only)</u>
<b>Receipts:</b>				
Dividends & Interest	\$ 51,911	\$ 320	\$ 5,091	\$ 57,322
Capital Transactions	22,419			22,419
Gain on Sale of Land	85,879			85,879
Donations		777	110	887
Miscellaneous Receipts	309			309
Transfer from Library			20,000	20,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts	160,518	1,097	25,201	186,816
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Disbursements and Depreciation:</b>				
Donations			1,163	1,163
Accounting	6,484			6,484
Legal	2,840			2,840
Harris Trust Management Fee	4,000			4,000
Books and Subscriptions	42	480	2,838	3,360
Postage	136			136
Yard Care	1,260			1,260
Supplies	277		194	471
Flowers and Gifts	129			129
Medical	1,045			1,045
Meeting Expenses	847		32	879
Christmas Expenses	1,049			1,049
Dues	6,659			6,659
Miscellaneous Expenses			419	419
Insurance	96			96
Taxes	1,178			1,178
Fundraising Expenses	7			7
Depreciation	1,926			1,926
Bank Fees	19			19
Spencerville		1,400		1,400
Audit Services	4,453			4,453
Scholarship Fund	10,000			10,000
Book Bags			553	553
Engineering	10,500			10,500
Programs	163		2,573	2,736
Repairs and Maintenance		750		750
Transfer (General to Restricted)	20,000			20,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	73,110	2,630	7,772	83,512
	<hr/>	<hr/>	<hr/>	<hr/>
Net Income	87,408	(1,533)	17,429	103,304
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balance, January 1	2,369,625	620,167	243,185	3,232,977
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balance, December 31</b>	<u>\$ 2,457,033</u>	<u>\$ 618,634</u>	<u>\$ 260,614</u>	<u>\$ 3,336,281</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, 2005 AND 2004**

**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.

The financial statements classify fund balances as unrestricted, temporarily restricted, or permanently restricted based on 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.

**LIMA LIBRARY ASSOCIATION  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis for Presentation (Continued)**

**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 income or a portion of it may be expended. The unexpendable portion of these donations is reflected as permanently restricted fund balances in the financial statements.

**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:

	<b>2005</b>	<b>2004</b>
Demand Deposits	\$ 468,244	\$ 473,641
Investments – Mutual Funds		
Money Market	49,191	48,109
Bonds and Notes	815,779	815,779
Common Stock	<u>1,825,666</u>	<u>1,631,352</u>
Total Investments	3,158,880	2,968,881
Other Investments- Stock	<u>9,569</u>	<u>9,569</u>
Total Deposits and Investments	<u>\$ 3,168,449</u>	<u>\$ 2,978,450</u>

**LIMA LIBRARY ASSOCIATION  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. POOLED CASH AND INVESTMENTS (Continued)**

**A. Deposits**

The Association deposits are insured through the FDIC in 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, 2005, and 2004 are \$2,956,584 and \$2,804,491 respectively.

**C. Other Investments – Stock**

The stock is carried at cost basis.

**4. PROPERTY AND EQUIPMENT**

A summary of fixed assets at December 31 follows:

Classification	2005	2004
Land	\$ 307,538	\$ 307,538
Land Improvement	375	482
Parking Lot and Improvements	47,625	48,712
Miscellaneous Assets	55	99
Total Fixed Assets	<u>\$ 355,593</u>	<u>\$ 356,831</u>

The amounts listed are net of accumulated depreciation.

**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 \$9,553, during 2005, and \$11,781, during 2004.

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.

***Perry & Associates***  
Certified Public Accountants, A.C.

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

December 5, 2006

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

To the Board of Trustees:

We have audited the financial statements of Lima Library Association, Allen County, (the Association) a component unit of the Lima Public Library, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 5, 2006. 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 Association's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Association's management dated December 5, 2006, we reported several matters involving internal control over financial reporting that did not require inclusion in this report.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the Association'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 that are required to be reported under *Government Auditing Standards*.

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

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.





Mary Taylor, CPA  
Auditor of State

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  
MARCH 22, 2007