



**LIMA LIBRARY ASSOCIATION  
ALLEN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**LIMA LIBRARY ASSOCIATION  
ALLEN COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Directors:

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, 2001 and 2000. 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 1, 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, 2001 and 2000, and its combined receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2002, 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.

This report is intended solely for the information and use of the management, Board of Directors and other officials authorized to receive this report under § 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

March 15, 2002

**LIMA LIBRARY ASSOCIATION  
ALLEN COUNTY**

**COMBINED STATEMENT OF ASSETS AND FUND BALANCES  
GENERAL, UNRESTRICTED AND RESTRICTED  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>General</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total Memorandum Only)</b>
<b>Current Assets:</b>				
Cash	\$255,469	\$30,581	\$16,676	\$302,726
Note Receivable	1,000			1,000
Investments - Mutual Funds:				
Money Market	18,137	6,297	2,267	26,701
Bonds and Notes	574,948	199,613	71,848	846,409
Common Stock	927,153	321,893	115,862	1,364,908
International	188,006	65,272	23,494	276,772
Property and Equipment ( Net of Accumulated Depreciation)	441,731			441,731
<b>Total Assets</b>	<b>\$2,406,444</b>	<b>\$623,656</b>	<b>\$230,147</b>	<b>\$3,260,247</b>
<b>Fund Balances:</b>				
Unrestricted	\$2,406,444	\$623,656	\$	\$3,030,100
Restricted:				
Temporarily Restricted			93,124	93,124
Permanently Restricted			137,023	137,023
<b>Fund Balances, December 31</b>	<b>\$2,406,444</b>	<b>\$623,656</b>	<b>\$230,147</b>	<b>\$3,260,247</b>

*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, 2001**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals (Memorandum Only)</u>
<b>Receipts:</b>				
Dividends and Interest	\$66,951			\$66,951
Capital Transactions	87,082			87,082
Rental Income	18,720			18,720
Interest Income	5,195	\$601	\$5,187	10,983
Donations		125,435	730	126,165
Miscellaneous Receipts	336			336
<b>Total Receipts</b>	<u>178,284</u>	<u>126,036</u>	<u>5,917</u>	<u>310,237</u>
<b>Disbursements and Depreciation:</b>				
Donations	10,000			10,000
Accounting	6,335			6,335
Legal	6,495			6,495
Harris Trust Management Service	3,000			3,000
Capital Outlay		163,235		163,235
Books and Art Works			593	593
Postage	194			194
Portriat	658			658
Yard Care	2,100			2,100
Supplies	933			933
Flowers and Gifts	400			400
Medical	1,076			1,076
Meeting Expenses	1,102			1,102
Christmas Expense	861			861
Dues	693			693
Miscellaneous Expenses	75			75
Insurance	2,156			2,156
Taxes	1,054			1,054
Depreciation	2,056			2,056
<b>Total Disbursements and Depreciation</b>	<u>39,188</u>	<u>163,235</u>	<u>593</u>	<u>203,016</u>
<b>Total Receipts Over/(Under) Disbursements</b>	139,096	(37,199)	5,324	107,221
<b>Fund Balances, January 1</b>	<u>2,267,348</u>	<u>660,855</u>	<u>224,823</u>	<u>3,153,026</u>
<b>Fund Balances, December 31</b>	<u><b>\$2,406,444</b></u>	<u><b>\$623,656</b></u>	<u><b>\$230,147</b></u>	<u><b>\$3,260,247</b></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, 2000**

	<b>General</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total Memorandum Only)</b>
<b>Current Assets:</b>				
Cash	\$201,608	\$67,780	\$16,190	\$285,578
Note Receivable	1,000			1,000
Investments - Mutual Funds:				
Money Market	11,358	4,156	1,462	16,976
Bonds and Notes	751,929	275,115	96,780	1,123,824
Common Stock	752,773	275,426	96,890	1,125,089
International	104,893	38,378	13,501	156,772
Property and Equipment (Net of Accumulated Depreciation)	443,787			443,787
<b>Total Assets</b>	<b>\$2,267,348</b>	<b>\$660,855</b>	<b>\$224,823</b>	<b>\$3,153,026</b>
<b>Fund Balances:</b>				
Unrestricted	\$2,267,348	\$660,855	\$	2,928,203
Restricted:				
Temporarily Restricted			87,815	87,815
Permanently Restricted			137,008	137,008
<b>Fund Balances, December 31</b>	<b>\$2,267,348</b>	<b>\$660,855</b>	<b>\$224,823</b>	<b>\$3,153,026</b>

*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, 2000**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals (Memorandum Only)</u>
<b>Receipts:</b>				
Dividends and Interest	\$70,319			\$70,319
Capital Transactions	188,317			188,317
Rental Income	18,720			18,720
Interest Income	6,139	\$923	\$5,948	13,010
Donations		24,207	595	24,802
Miscellaneous Receipts	42			42
<b>Total Receipts</b>	<u>283,537</u>	<u>25,130</u>	<u>6,543</u>	<u>315,210</u>
<b>Disbursements and Depreciation:</b>				
Donations	10,000			10,000
Accounting	5,600			5,600
Legal	2,550			2,550
Audit	6,226			6,226
Harris Trust Management Service	4,000			4,000
Taxes	944			944
Books and Art Works			2,961	2,961
Yard Care	2,250			2,250
Supplies	105			105
Medical	49			49
Meeting Expenses	3,627			3,627
Bank Fees	64			64
Dues	3,848			3,848
Miscellaneous Expenses	100			100
Insurance	2,016			2,016
Christmas Expense	750			750
Depreciation	2,115			2,115
<b>Total Disbursements and Depreciation</b>	<u>44,244</u>		<u>2,961</u>	<u>47,205</u>
<b>Total Receipts Over/(Under)</b>	<u>239,293</u>	<u>25,130</u>	<u>3,582</u>	<u>268,005</u>
<b>Fund Balances, January 1</b>	<u>2,028,055</u>	<u>635,725</u>	<u>221,241</u>	<u>2,885,021</u>
<b>Fund Balances, December 31</b>	<u><b>\$2,267,348</b></u>	<u><b>\$660,855</b></u>	<u><b>\$224,823</b></u>	<u><b>\$3,153,026</b></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, 2001 AND 2000**

**1. ORGANIZATION AND PURPOSE**

The Lima Library Association (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, and outlined the relationship between the Association and the Lima Public Library. The Association's existence and tax exempt status is tied to the purpose of benefitting the Lima Public Library. The Association is a component unit of the Library.

The Association is exempt from federal income taxes under Internal Revenue Code Section 509 (a) 3.

**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 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 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**

Mutual funds, which consist of bonds, notes, and stocks, 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 restricted fund balances in the financial statements.

**LIMA LIBRARY ASSOCIATION  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(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 by 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 that organization.

**3. EQUITY IN 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:

	<u>2001</u>	<u>2000</u>
Demand Deposits	\$302,726	\$285,578
Investments - Mutual Funds:		
Money Market	26,701	16,976
Bonds and Notes	846,409	1,123,824
Common Stock	1,364,908	1,125,089
International	<u>276,772</u>	<u>156,772</u>
Total Investments	<u>2,514,790</u>	<u>2,422,661</u>
Total Deposits and Investments	<u>\$2,817,516</u>	<u>\$2,708,239</u>

**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 are 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, 2001, and 2000 are \$2,369,069 and \$2,387,856 respectively.

**LIMA LIBRARY ASSOCIATION  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**4. PROPERTY AND EQUIPMENT**

<b>Classification</b>	<b>2001</b>	<b>2000</b>
Land	\$386,881	\$386,881
Land Improvement	804	910
Parking Lot	53,748	55,476
Equipment	<u>298</u>	<u>520</u>
Total	<u>\$441,731</u>	<u>\$443,787</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 \$14,876, during 2001, and \$19,485, during 2000.

The Association owns the land upon which the Lima Public Library stands, and the rent receipts reflected in the accompany financial statements are the amounts charged to the Lima Public Library for the use of the land.

The Association also assisted in the construction of the Spencerville Branch of the Lima Public Library, in the amount of \$163,235, during the year ended December 31, 2001.

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**REPORT OF INDEPENDENT ACCOUNTANTS 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 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, 2001 and 2000, and have issued our report thereon dated March 15, 2002. 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Association in a separate letter dated March 15, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

March 15, 2002





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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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  
JUNE 6, 2002**