

**LIMA PUBLIC LIBRARY
ALLEN COUNTY
Regular Audit
For the Years Ended December 31, 2011 and 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Lima Public Library, Allen County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Public Library is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 25, 2012

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**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

April 5, 2012

Lima Public Library
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 the **Lima Public Library**, Allen County, Ohio, (the Library) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Library'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 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Library's to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Lima Public Library, Allen County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2010 the Lima Public Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2012, 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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
Cash Receipts:				
Public Library	\$ 2,924,645	\$ -	\$ -	\$ 2,924,645
Patron Fines and Fees	57,127	-	-	57,127
Services Provided Other Entities	5,794	-	-	5,794
Earnings on Investments	10,443	-	-	10,443
Contributions, Gifts and Donations	1,579	280,474	-	282,053
Miscellaneous Receipts	12,757	-	1,090	13,847
	<u>\$3,012,345</u>	<u>280,474</u>	<u>1,090</u>	<u>3,293,909</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries and Benefits	1,765,636	-	-	1,765,636
Library Materials and Information	144,330	15,012	-	159,342
Purchased and Contracted Services	238,484	-	-	238,484
Supplies	35,622	-	-	35,622
Other	20,032	-	-	20,032
Capital Outlay	17,323	787	1,632,910	1,651,020
Debt Service:				
Interest and Fiscal Charges	-	-	18,034	18,034
	<u>2,221,427</u>	<u>15,799</u>	<u>1,650,944</u>	<u>3,888,170</u>
Total Cash Disbursements				
Excess of Receipts Over (Under) Disbursements	790,918	264,675	(1,649,854)	(594,261)
Other Financing Receipts (Disbursements):				
Loan Proceeds	-	-	1,100,000	1,100,000
Transfers-In	500,000	-	600,000	1,100,000
Transfers-Out	(600,000)	-	(500,000)	(1,100,000)
	<u>(100,000)</u>	<u>-</u>	<u>1,200,000</u>	<u>1,100,000</u>
Total Other Financing Receipts (Disbursements)				
Net Change in Fund Cash Balances	690,918	264,675	(449,854)	505,739
Fund Cash Balances, January 1	1,902,616	65,649	509,810	2,478,075
Fund Cash Balances, December 31				
Restricted	-	286,682	-	286,682
Committed	-	44,358	59,956	104,314
Unassigned (Deficit)	2,593,534	(716)	-	2,592,818
	<u>\$ 2,593,534</u>	<u>\$ 330,324</u>	<u>\$ 59,956</u>	<u>\$ 2,983,814</u>
Fund Cash Balances, December 31				

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

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Merchandise Sales	\$ 4,482	\$ -	\$ 4,482
Membership Fees	-	9,000	9,000
Miscellaneous Receipts	-	217	217
	<u>4,482</u>	<u>9,217</u>	<u>13,699</u>
Operating Cash Disbursements:			
Current:			
Library Materials and Information	-	2,590	2,590
Purchased and Contracted Services	-	5,790	5,790
Other	1,665	-	1,665
	<u>1,665</u>	<u>8,380</u>	<u>10,045</u>
Total Cash Disbursements	<u>1,665</u>	<u>8,380</u>	<u>10,045</u>
Operating Income/(Loss)	2,817	837	3,654
Fund Cash Balances, January 1	<u>381</u>	<u>2,897</u>	<u>3,278</u>
Fund Cash Balances, December 31	<u><u>\$ 3,198</u></u>	<u><u>\$ 3,734</u></u>	<u><u>\$ 6,932</u></u>

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

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
Cash Receipts:				
Public Library	\$ 2,794,346	\$ -	\$ -	\$ 2,794,346
Intergovernmental	-	45,698	-	45,698
Patron Fines and Fees	53,499	-	-	53,499
Services Provided Other Entities	6,582	-	-	6,582
Earnings on Investments	10,924	-	-	10,924
Contributions, Gifts and Donations	2,405	45,686	-	48,091
Miscellaneous Receipts	183,254	-	-	183,254
	<u>3,051,010</u>	<u>91,384</u>	<u>-</u>	<u>3,142,394</u>
Total Cash Receipts				
	<u>3,051,010</u>	<u>91,384</u>	<u>-</u>	<u>3,142,394</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	2,056,735	-	-	2,056,735
Library Materials and Information	114,120	53,555	-	167,675
Purchased and Contracted Services	281,039	-	-	281,039
Supplies	40,671	-	-	40,671
Other	13,293	-	-	13,293
Capital Outlay	7,086	-	4,187	11,273
	<u>2,512,944</u>	<u>53,555</u>	<u>4,187</u>	<u>2,570,686</u>
Total Cash Disbursements				
	<u>2,512,944</u>	<u>53,555</u>	<u>4,187</u>	<u>2,570,686</u>
Excess of Receipts Over (Under) Disbursements	538,066	37,829	(4,187)	571,708
Other Financing Receipts (Disbursements):				
Transfers In	17,314	-	-	17,314
Transfers Out	(150)	(7,606)	-	(7,756)
	<u>17,164</u>	<u>(7,606)</u>	<u>-</u>	<u>9,558</u>
Total Other Financing Receipts (Disbursements)				
	<u>17,164</u>	<u>(7,606)</u>	<u>-</u>	<u>9,558</u>
Net Change in Fund Balances	555,230	30,223	(4,187)	581,266
Fund Cash Balances, January 1	1,347,386	35,426	513,997	1,896,809
	<u>1,347,386</u>	<u>35,426</u>	<u>513,997</u>	<u>1,896,809</u>
Fund Cash Balances, December 31				
Restricted	-	11,307	-	11,307
Committed	-	54,342	509,810	564,152
Unassigned (Deficit)	1,902,616	-	-	1,902,616
	<u>1,902,616</u>	<u>-</u>	<u>-</u>	<u>1,902,616</u>
Fund Cash Balances, December 31	<u>\$ 1,902,616</u>	<u>\$ 65,649</u>	<u>\$ 509,810</u>	<u>\$ 2,478,075</u>

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

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Merchandise Sales	\$ 355	\$ -	\$ 355
Membership Fees	-	8,000	8,000
	<u>355</u>	<u>8,000</u>	<u>8,355</u>
Operating Cash Disbursements:			
Current:			
Library Materials and Information	-	3,658	3,658
Purchased and Contracted Services	-	5,802	5,802
Other	67	-	67
	<u>67</u>	<u>9,460</u>	<u>9,527</u>
Total Cash Disbursements			
	<u>67</u>	<u>9,460</u>	<u>9,527</u>
Operating Income/(Loss)	288	(1,460)	(1,172)
Non-Operating Receipts (Disbursements)			
Transfers In	150	-	150
Transfers Out	(9,708)	-	(9,708)
	<u>150</u>	<u>-</u>	<u>150</u>
Total Non-Operating Receipts (Disbursements)	(9,558)	-	(9,558)
Net Change in Fund Cash Balances	(9,270)	(1,460)	(10,730)
Fund Cash Balances, January 1	<u>9,651</u>	<u>4,357</u>	<u>14,008</u>
Fund Cash Balances, December 31	<u>\$ 381</u>	<u>\$ 2,897</u>	<u>\$ 3,278</u>

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

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Lima Public Library, Allen County, (the Library), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Lima City School District Board of Education. The Library provides the community with various educational and literary resources.

The Lima Library Association is a component unit of the Library and is audited separately. Financial information is not included in these statements. See additional information in Note 8.

The Friends of the Library is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budgets or the issuance of debt of the organization. According to GASB Statement No. 39 criteria, the economic resources received or held by organization are not significant to the Library. 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.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund. Repurchase agreements are valued at cost.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

Memorial, Gift and Donation Fund – This Fund receives contributions made to the Library. The fund was established in 2005 to better account for receipts and expenditures of contributed monies.

3. Capital Project Funds

These funds are used to account for receipts that are restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project fund:

Library Improvement and Maintenance Fund – This Fund receives tax money and transfers from the General Fund. This money is used for repairs and improvements to the Library.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Library had the following significant enterprise fund:

Gift Shop Fund – This Fund receives money from merchandise sales at the Library.

5. Fiduciary Funds

These funds account for operations of funds for which the Library is acting in an agency capacity. The Library had the following significant fiduciary agency fund:

Entertainment Video Circuit – This Fund receives membership fees from other Libraries. The money is used to purchase videos for the Libraries to share.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

For fiscal year 2010, the Library has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. Fund balance is divided into five classifications based primarily on the extent to which the Library must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

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

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Library maintains a deposit and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Library had \$490 in cash on hand for both years. The carrying amount of deposits and investments at December 31 was as follows:

	2011	2010
Demand Deposits	\$ 1,734,820	\$ 1,230,531
Certificates of Deposit	1,020,494	1,016,337
Total Deposits	2,755,314	2,246,868
Repurchase Agreement	231,208	231,098
Total Investments	231,208	231,098
Total Deposits and Investments	\$ 2,986,522	\$ 2,477,966
Agency Fund Demand Deposits	\$ 3,734	\$ 2,897

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Investments: Repurchase agreements are collateralized by specific securities purchased with funds swept from that account.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,120,857	\$ 3,512,345	\$ 391,488
Special Revenue	65,127	280,474	215,347
Capital Projects	476,053	1,701,090	1,225,037
Enterprise	-	4,482	4,482
Total	\$ 3,662,037	\$ 5,498,391	\$ 1,836,354

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,118,247	\$ 2,838,583	\$ 279,664
Special Revenue	60,000	16,075	43,925
Capital Project	2,153,105	2,153,105	-
Enterprise	-	1,665	(1,665)
Total	<u>\$ 5,331,352</u>	<u>\$ 5,009,428</u>	<u>\$ 321,924</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,778,513	\$ 3,068,324	\$ 289,811
Special Revenue	170,000	91,384	(78,616)
Capital Projects	513,997	-	(513,997)
Enterprise	-	505	505
Total	<u>\$ 3,462,510</u>	<u>\$ 3,160,213</u>	<u>\$ (302,297)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,675,258	\$ 2,581,897	\$ 93,361
Special Revenue	197,259	67,096	130,163
Capital Projects	513,997	37,944	476,053
Enterprise	-	9,775	(9,775)
Total	<u>\$ 3,386,514</u>	<u>\$ 2,696,712</u>	<u>\$ 689,802</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Special Revenue and the Gift Shop Funds by \$6,985 and \$1,665, respectively for the year ended December 31, 2011. Budgetary expenditures exceeded appropriation authority in the Special Revenue and Gift Shop Funds by \$2,479 and \$9,775, respectively, for the year ended December 31, 2010. Also contrary to Ohio law, at December 31, 2011, the Special Revenue Fund had a cash deficit balance of \$717.

4. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Bank Loan	\$ 1,100,000	3.5%
Total	<u>\$ 1,100,000</u>	

In 2011, the Library obtained a loan from The State Bank and Trust to finance various capital improvements. The Lima Library Association has guaranteed the loan with the property at 650 West Market Street, Lima, Ohio.

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	State Bank and Trust Loan
2012	\$66,432
2013	94,365
2014	94,365
2015	94,365
2016	94,365
2017-2021	473,895
2022-2026	539,195
Total	\$1,456,982

5. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. The County Budget Commission bases the amount for distribution on the needs of such library for the construction of new library buildings, parts of buildings, improvements, operation, maintenance, or other expenses. The County Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

6. RETIREMENT SYSTEM

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>PERS – Local</i>	<i>2010 - 2011</i>	<i>10%</i>	<i>14%</i>

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2011, OPERS members contributed 10%, of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2011.

7. RISK MANAGEMENT

Commercial Insurance

The Lima Public Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. RISK MANAGEMENT (Continued)

The Library had no changes in coverage. The Library paid out no amounts that exceeded insurance coverage.

The Library also provides health insurance coverage to full-time employees through a private carrier.

8. LIMA LIBRARY ASSOCIATION

The Lima Library Association (the "Association") is a component unit of the Library. 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 did not dissolve and remained intact for the purpose of supporting the Library.

Audited financial statements of the Association may be obtained by contacting E.S. Evans and Company, 205 West Elm Street, Lima, Ohio 45801.

9. CONTINGENT LIABILITIES

The Library is defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Library's financial condition.

10. SUBSEQUENT EVENTS

Management has considered all subsequent events through April 5, 2012, the date the financial statements were made available.

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

April 5, 2012

Lima Public Library
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 the **Lima Public Library**, Allen County, (the Library) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 5, 2012, 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 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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 deficiencies in internal control that might be deficiencies, 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 did note certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated April 5, 2012.

We intend this report solely for the information and use of Library management, Board of Trustees and others within the Library. We intend it for no one other than these specified parties.

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." The signature is written in a cursive, flowing style.

Perry and Associates
Certified Public Accountants, A.C.

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 117.38	Yes	Corrected



Dave Yost • Auditor of State

LIMA PUBLIC LIBRARY

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
JULY 05, 2012