



**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Assets and Fund Balances General, Unrestricted and Restricted For the Year Ended December 31, 1999	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances – General, Unrestricted and Restricted For the Year Ended December 31, 1999	4
Combined Statement of Assets and Fund Balances General, Unrestricted and Restricted For the Year Ended December 31, 1998	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances – General, Unrestricted and Restricted For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Supplementary Information:	
Schedule #1 - Restricted Memorial Funds For the Year Ended December 31, 1999	10
Schedule #2 - Unrestricted Memorial Funds For the Year Ended December 31, 1999	12
Schedule #3 - Restricted Memorial Funds For the Year Ended December 31, 1998	13
Schedule #4 - Unrestricted Memorial Funds For the Year Ended December 31, 1998	15
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Lima Library Association
Allen County
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, 1999 and 1998. 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 generally accepted auditing standards 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, 1999 and 1998, and its combined receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Association taken as a whole. The accompanying supplemental schedules, as listed in the table of contents, are presented for additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2000, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain restricted trust agreements.

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, sweeping initial "J" and a long horizontal stroke extending to the right.

JIM PETRO
Auditor of State

September 1, 2000

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**COMBINED STATEMENT OF ASSETS AND FUND BALANCES
GENERAL, UNRESTRICTED AND RESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Memorandum Only)</u>
Current Assets:				
Cash	\$142,281	\$42,650	\$24,564	\$209,495
Note Receivable	1,000			1,000
Harris Trust Investments	1,438,872	593,075	196,677	2,228,624
Property and Equipment (Net of Accumulated Depreciation)	<u>445,902</u>			<u>445,902</u>
Total Assets	<u>\$2,028,055</u>	<u>\$635,725</u>	<u>\$221,241</u>	<u>\$2,885,021</u>
Fund Balances, December 31	<u>\$2,028,055</u>	<u>\$635,725</u>	<u>\$221,241</u>	<u>\$2,885,021</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, 1999**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals (Memorandum Only)</u>
Receipts:				
Harris Trust:				
Dividends and Interest	\$64,698			\$64,698
Capital Transactions	98,619		\$5,905	104,524
Rental Income	18,360			18,360
Interest Income	5,170	\$506		5,676
Donations		16,218	2,104	18,322
Miscellaneous Receipts	415			415
Total Receipts	<u>187,262</u>	<u>16,724</u>	<u>8,009</u>	<u>211,995</u>
Disbursements and Depreciation:				
Donations	38,400			38,400
Accounting	5,775			5,775
Legal	3,025			3,025
Harris Trust Management Service	4,000			4,000
Staff Development Day	3,115			3,115
Book Bags	3,565			3,565
Books and Art Works		229	3,425	3,654
Programs	288			288
Parking Lot Electricity	482			482
Yard Care	1,800			1,800
Supplies	93			93
Flowers and Gifts	321			321
Medical	588			588
Meeting Expenses	1,549			1,549
Bank Fees	22			22
Dues	4,060			4,060
Miscellaneous Expenses	19			19
Insurance	1,668			1,668
Taxes	854			854
Depreciation	2,185			2,185
Total Disbursements and Depreciation	<u>71,809</u>	<u>229</u>	<u>3,425</u>	<u>75,463</u>
Total Receipts Over/(Under) Disbursement	115,453	16,495	4,584	136,532
Fund Balances, January 1	<u>1,912,602</u>	<u>619,230</u>	<u>216,657</u>	<u>2,748,489</u>
Fund Balances, December 31	<u>\$2,028,055</u>	<u>\$635,725</u>	<u>\$221,241</u>	<u>\$2,885,021</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, 1998**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Memorandum Only)</u>
Current Assets:				
Cash	\$131,782	\$26,155	\$23,584	\$181,521
Note Receivable	1,000			1,000
Harris Trust Investments:	1,331,870	593,075	193,073	2,118,018
Property and Equipment (Net of Accumulated Depreciation)	447,950			447,950
Total Assets	\$1,912,602	\$619,230	\$216,657	\$2,748,489
Fund Balances, December 31	\$1,912,602	\$619,230	\$216,657	\$2,748,489

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, 1998**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals (Memorandum Only)</u>
Receipts:				
Harris Trust:				
Dividends and Interest	\$66,012			\$66,012
Capital Transactions	195,248		\$6,097	201,345
Rental Income	18,720			18,720
Interest Income	6,885	\$136		7,021
Donations		22,614	1,060	23,674
Miscellaneous Receipts	2		138	140
Total Receipts	<u>286,867</u>	<u>22,750</u>	<u>7,295</u>	<u>316,912</u>
Disbursements and Depreciation:				
Donations	40,014			40,014
Accounting	4,300			4,300
Legal	3,850			3,850
Audit	6,733			6,733
Harris Trust Management Service	4,000			4,000
Staff Development Day	386			386
Books and Art Works	218		8,276	8,494
Book Bags	3,397			3,397
Programs	1,444			1,444
Parking Lot Electricity	474			474
Yard Care	1,200			1,200
Repairs and Maintenance	1,800			1,800
Supplies	1,025			1,025
Portraits	115			115
Flowers and Gifts	113			113
Medical	648			648
Meeting Expenses	1,570			1,570
Bank Fees	9			9
Dues	4,332			4,332
Survey	698			698
Miscellaneous Expenses	2			2
Miscellaneous Labor	4,150			4,150
Insurance	1,104			1,104
Christmas Expense	916			916
Engineering	470			470
Depreciation	2,099			2,099
Total Disbursements and Depreciation	<u>85,067</u>		<u>8,276</u>	<u>93,343</u>
Total Receipts Over/(Under)				
Disbursements Before Transfers	201,800	22,750	(981)	223,569
Transfer In			7,038	7,038
Transfer Out	(7,038)			(7,038)
Total Receipts Over/(Under)				
Disbursements After Transfers	194,762	22,750	6,057	223,569
Fund Balances, January 1	<u>1,717,840</u>	<u>596,480</u>	<u>210,600</u>	<u>2,524,920</u>
Fund Balances, December 31	<u>\$1,912,602</u>	<u>\$619,230</u>	<u>\$216,657</u>	<u>\$2,748,489</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, 1999 AND 1998**

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. Through 1999, the Association's Board of Trustees was the same as the Lima Public Library's Board (see Note 7).

The Association is exempt from federal income taxes under Internal Revenue Code Section 501 (c) 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. The Association has chosen to report fixed assets and recognize depreciation; they also record a long-term note receivable.

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.

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.

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.

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.

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 and 15 years.

E. Note Receivable

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

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

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>1999</u>	<u>1998</u>
Demand deposits	<u>\$209,495</u>	<u>\$181,521</u>
Harris Trust:		
Cash equivalents	17,339	11,259
Mutual Funds	<u>2,211,285</u>	<u>2,106,759</u>
Total Harris Trust	<u>2,228,624</u>	<u>2,118,018</u>
Total deposits and investments	<u>\$2,438,119</u>	<u>\$2,299,539</u>

A. Deposits

At December 31, 1999 and 1998, deposits were insured by the Federal Depository Insurance Corporation.

B. Investments

The Harris Trust maintains records identifying the Association as owner of the securities. The market value of the mutual funds as of December 31, 1999, and 1998 are \$2,210,240 and \$2,237,314 respectively.

4. PROPERTY and EQUIPMENT

Classification	1999	1998
Land	\$386,881	\$386,881
Land Improvement	1,018	1,131
Parking Lot	57,233	59,025
Equipment	<u>770</u>	<u>913</u>
Total	<u>\$445,902</u>	<u>\$447,950</u>

The amounts listed are net of accumulated depreciation.

5. RISK MANAGEMENT

The Association has obtained commercial insurance for the following risks:

Comprehensive property (building) and general liability

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. RELATED PARTY TRANSACTIONS

A Library Board member was the owner of an accounting firm from which the Association acquired accounting and tax services during the period. The Association paid \$5,775 in 1999, and \$4,300 in 1998 for these services.

The Association purchased equipment, books and artwork, and paid for other numerous items on behalf of the Lima Public Library. The total amount spent on behalf of the Library during 1999, and 1998 are \$72,340, and \$56,542, respectively.

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

7. SUBSEQUENT EVENTS

For the year 2000, the Association has adopted a Code of Regulations. The Regulations change how the Board of Trustees is appointed. Previously the Library Board also served as the Association Board. Under the Regulations, the Association Board has five members which may include two Lima Public Library Board Members.

Prior to adopting the regulations, the Internal Revenue Service deemed the Association a supporting organization, because the Association provided substantial benefit to the Lima Public Library. The Regulations now specify that the Association does not exist solely to provide specific financial benefit to the Lima Public Library. However, the Regulations require the Association to follow the Articles of Incorporation. The Articles of Incorporation require the Association to purchase books and maintain a public library in Lima, Ohio. The Lima Public Library is the only public library in Lima, Ohio.

The Association intends to notify the Internal Revenue Service of the revision to its organization to continue its tax exempt status.

LIMA LIBRARY ASSOCIATION

**SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 1999**

RESTRICTED MEMORIAL FUNDS - SCHEDULE #1

Restricted Memorial Funds	Total Fund	Unexpendable Portion	Expendable Portion
Animal Protection Association Fund Established in 1982 - The entire fund is to be used to purchase books on animals.	\$813	\$0	\$813
Delta Nu Alpha Fund Established in 1987 - The entire fund is to be used to purchase books on transportation	74	0	74
DeVoe Fund Established in 1974 - The entire fund is to be used to purchase "additional copies of new fiction".	1,731	0	1,731
Dorfman Fund Established in 1943 - Administered by the Dorfman Committee; the fund is to be used to "perpetuate and continue the collection of Judaica".	1,668	0	1,668
Lufkin Fund Established in 1937 - The income is to be used to purchase books of use or beauty.	70,749	46,099	24,650
MacDonell Established in 1991 - The entire fund is to be used to purchase books on business, specifically banking.	3,385	0	3,385
Millie Established in 1968 - 80% of the income is to be used for the purchase of books and other library materials for general circulation and reference, in the following fields: Home Economics; Engineering; Travel; Family Financial Planning; Management; Personal Investing; and Estate Planning.	8,680	8,438	242
Allen County Children's Trust Fund Established in 1992 - The fund is to be used for books on the types, symptoms and effects of child abuse.	34	0	34
Mitchell Established in 1932 - The income is to be used to purchase "articles and books. . ." to promote the popular study of art.	58,799	56,949	1,850
Worthy Craft Fund - (Allen Co. Historical Society) The fund is to be used to purchase books of interest to the Historical Society and the Art Association.	503	0	503

LIMA LIBRARY ASSOCIATION

**SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 1999**

**RESTRICTED MEMORIAL FUNDS - SCHEDULE #1
(Continued)**

Restricted Memorial Funds	Total Fund	Unexpendable Portion	Expendable Portion
Librarian's Discretionary Fund Reestablished in 1991 - The fund is to be spent at the head librarian's discretion.	3,584	0	3,584
Straker Memorial Book Room Fund Established in 1992 - The fund is to be spent at the Trustee's discretion.	35,740	0	35,740
Drs. Ann Baker and Fred Ryan Fund Established in 1993 - The fund is to be spent on books for the children's section.	2,368	0	2,368
Dr. David L. Steiner Fund Established in 1995 - The fund is to be spent on books at the Trustee's discretion.	28,878	25,500	3,378
Mary Jane Heffner Established in 1996 - The fund is to be spent on books dealing with Field Botany, Conservation, and Field Geology.	2,511	0	2,511
Elizabeth B. Sondheimer Fund Established in 1997 - The fund is to be used at the discretion of the Association.	461	0	461
Evenings Optimist Club Fund Established in 1996 - The fund is to be used for books, videos, and computer software for the Youth Services Department.	<u>1,263</u>	<u>0</u>	<u>1,263</u>
Total	<u>\$221,241</u>	<u>\$136,986</u>	<u>\$84,255</u>

LIMA LIBRARY ASSOCIATION
SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 1999

UNRESTRICTED MEMORIAL FUNDS - SCHEDULE #2

Unrestricted Memorial Funds	Expendable Portion
Catherine Galvin	\$552,606
Jeannette Galvin	24,000
Margaret Daley	750
Leona Collier	16,469
Evelyn McGovern	480
Mary W. MacDonell	750
B. E. Swem	1,000
Spencerville Branch	31,519
E. S. Evans	<u>8,151</u>
Total	<u>\$635,725</u>

LIMA LIBRARY ASSOCIATION

**SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 1998**

RESTRICTED MEMORIAL FUNDS - SCHEDULE #3

Restricted Memorial Funds	Total Fund	Unexpendable Portion	Expendable Portion
Animal Protection Association Fund Established in 1982 - The entire fund is to be used to purchase books on animals.	\$592	\$0	\$592
Delta Nu Alpha Fund Established in 1987 - The entire fund is to be used to purchase books on transportation	74	0	74
DeVoe Fund Established in 1974 - The entire fund is to be used to purchase "additional copies of new fiction".	1,731	0	1,731
Dorfman Fund Established in 1943 - Administered by the Dorfman Committee; the fund is to be used to "perpetuate and continue the collection of Judaica".	481	0	481
Lufkin Fund Established in 1937 - The income is to be used to purchase books of use or beauty.	68,824	46,099	22,725
MacDonell Established in 1991 - The entire fund is to be used to purchase books on business, specifically banking.	3,385	0	3,385
Millie Established in 1968 - 80% of the income is to be used for the purchase of books and other library materials for general circulation and reference, in the following fields: Home Economics; Engineering; Travel; Family Financial Planning; Management; Personal Investing; and Estate Planning.	8,622	8,417	205
Allen County Children's Trust Fund Established in 1992 - The fund is to be used for books on the types, symptoms and effects of child abuse.	34	0	34
Mitchell Established in 1932 - The income is to be used to purchase "articles and books. . ." to promote the popular study of art.	59,073	56,949	2,124
Worthy Craft Fund - (Allen Co. Historical Society) The fund is to be used to purchase books of interest to the Historical Society and the Art Association.	503	0	503

LIMA LIBRARY ASSOCIATION

**SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 1998**

**RESTRICTED MEMORIAL FUNDS - SCHEDULE #3
(Continued)**

Restricted Memorial Funds	Total Fund	Unexpendable Portion	Expendable Portion
Librarian's Discretionary Fund Reestablished in 1991 - The fund is to be spent at the head librarian's discretion.	4,165	0	4,165
Straker Memorial Book Room Fund Established in 1992 - The fund is to be spent at the Trustee's discretion.	34,700	0	34,700
Drs. Ann Baker and Fred Ryan Fund Established in 1993 - The fund is to be spent on books for the children's section.	2,368	0	2,368
Dr. David L. Steiner Fund Established in 1995 - The fund is to be spent on books at the Trustee's discretion.	28,038	25,500	2,538
Mary Jane Heffner Established in 1996 - The fund is to be spent on books dealing with Field Botany, Conservation, and Field Geology.	2,438	0	2,438
Elizabeth B. Sondheimer Fund Established in 1997 - The fund is to be used at the discretion of the Association.	366	0	366
Evenings Optimist Club Fund Established in 1996 - The fund is to be used for books, videos, and computer software for the Youth Services Department.	<u>1,263</u>	<u>0</u>	<u>1,263</u>
Total	<u>\$216,657</u>	<u>\$136,965</u>	<u>\$79,692</u>

LIMA LIBRARY ASSOCIATION

SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 1998

UNRESTRICTED MEMORIAL FUNDS - SCHEDULE #4

Unrestricted Memorial Funds	Expendable Portion
Catherine Galvin	\$552,607
Jeannette Galvin	24,000
Margaret Daley	750
Leona Collier	16,469
Evelyn McGovern	480
Mary W. MacDonell	750
B. E. Swem	1,000
Spencerville Branch	<u>23,174</u>
Total	<u>\$619,230</u>

This page left blank intentionally.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Lima Library Association
Allen County
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, 1999 and 1998, and have issued our report thereon dated September 1, 2000. We conducted our audit in accordance with generally accepted auditing standards 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Association's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-00202-001.

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. 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. We believe the reportable condition described above to be a material weakness.

We also 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 September 1, 2000.

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 of the last name.

JIM PETRO
Auditor of State

September 1, 2000

**LIMA LIBRARY ASSOCIATION
DECEMBER 31, 1999 AND 1998**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

Finding Number	1999-00202-001
-----------------------	-----------------------

Review of Policies, Procedures, and Transactions

The Lima Library Association Board contracts with a local accounting firm for accounting and reporting services and contracts with an investment firm for advice, investment decisions, day to day buying and selling activities, and the recording and reporting of investment transactions. There is no evidence that the Association Board reviews the various services performed by the accounting firm or the investment firm.

The absence of reviews to assure the delivery of proper services by the accounting firm and investment firm could lead to errors or irregularities occurring without detection in the normal course of business on a timely basis.

The Association Board (or a representative(s) thereof) should periodically review the controls and responsibilities of the accounting and investment firms and perform the following analysis:

1. Determine the various policies and procedures of the contracting firms and determine if those policies and procedures are in line with the needs of the Association;
2. Determine the various documents, ledgers, journals, reports, etc. compiled and maintained by the contracting firms and determine the adequacy of that documentation in line with Association needs;
3. Review the investment statements for legitimacy of transactions, accuracy of calculations, and other procedures considered necessary to assure the safeguarding of assets and integrity of financial information; and,
4. Review documentation maintained by the accounting firm to determine legitimacy of transactions, completeness and accuracy of postings, comparison to similar documents or summaries maintained by the Association Board, and other procedures considered necessary to assure the safeguarding of assets and integrity of financial information.

The Board should also be aware that Statements on Auditing Standards Numbers 70 and 88 relate to service organizations and the required reviews of policies, procedures and controls.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
SEPTEMBER 28, 2000**