

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY
Regular Audit
December 31, 2007 and 2006**



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, 2006 through December 31, 2007. 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

October 27, 2008

This Page is Intentionally Left Blank.

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Statement of Financial Position – Modified Cash Basis For the Year Ended December 31, 2007.....	3
Statement of Activities – Modified Cash Basis For the Year Ended December 31, 2007.....	4
Statement of Financial Position – Modified Cash Basis For the Year Ended December 31, 2006.....	5
Statement of Activities – Modified Cash Basis For the Year Ended December 31, 2006.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

September 19, 2008

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 not-for-profit corporation, a component unit of the Lima Public Library, as of and for the years ended December 31, 2007 and 2006. 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 more fully described in Note 2 to the financial statements, 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. The Association has not implemented the financial reporting requirements of Statement of Financial Accounting Standards No. 116, 117 and 124. Accordingly, the Association has not classified the difference between its assets and liabilities as unrestricted net assets, temporarily restricted net assets, and permanent restricted assets based on the existence or absence of donor-imposed restrictions. In addition, the Association has not reported the changes in each of those classes of net assets in the statement of activities – modified cash basis and has not disclosed information about expenses reported by functional classifications in the statement of activities – modified cash basis or the notes to the financial statements. Presentation of such information is required by accounting principles generally accepted in the United States of America. The effects on the financial statements of that departure from those accounting principles are not reasonably determinable and presumed to be material.

Lima Library Association
Allen County
Independent Accountants' Report
Page 2

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the combined assets and fund cash balances of the Association, as of December 31, 2007 and 2006, and its combined receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2008, 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,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	December 31, 2007
Current Assets:	
Cash	\$ 247,291
Notes Receivable	<u>1,000</u>
Total Current Assets	<u>248,291</u>
Investments-Mutual Funds:	
Money Market	19,260
Bonds and Notes	1,282,779
Common Stock	2,043,931
Other Investments	9,569
Property and Equipment (Net of Accumulated Depreciation)	<u>2,436,438</u>
Total Assets	<u><u>6,040,268</u></u>
Liabilities:	
Real Estate Taxes	9,329
Mortgage Payable	<u>1,589,143</u>
Total Liabilities	<u>1,598,472</u>
Fund Balances:	
Unrestricted	4,140,721
Restricted:	
Expendable Portion	69,824
Unexpendable Portion	137,078
Designated:	
Expendable Portion	84,173
Unexpendable Portion	<u>10,000</u>
Fund Balances, December 31, 2007	<u>4,441,796</u>
Total Liabilities and Net Assets	<u><u>\$ 6,040,268</u></u>

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

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Designated</u>	<u>Totals (Memorandum Only)</u>
Receipts:					
Dividends & Interest	\$ 67,207	\$ -	\$ 4,738	\$ 1,981	\$ 73,926
Capital Transactions	337,034	-	-	-	337,034
Rental Income	93,064	-	-	-	93,064
Interest and Dividends	2,137	-	11	-	2,148
Donations	-	197,060	2,636	1,115	200,811
Miscellaneous Receipts	5,325	-	-	-	5,325
Total Receipts	504,767	197,060	7,385	3,096	712,308
Disbursements and Depreciation:					
Donations	3,000	-	-	-	3,000
Accounting	5,725	-	-	-	5,725
Legal	5,102	-	-	-	5,102
Harris Trust Management Fee	3,000	-	-	-	3,000
Yard Care	1,232	-	-	-	1,232
Supplies	87	-	-	-	87
Flowers and Gifts	82	-	-	-	82
Medical	60	-	-	-	60
Meeting Expenses	987	-	-	-	987
Christmas Expenses	659	-	-	-	659
Dues	6,998	-	-	-	6,998
Insurance	5,983	-	-	-	5,983
Taxes	956	-	-	-	956
Depreciation	24,282	-	-	-	24,282
Audit Services	5,233	-	-	-	5,233
Interest Expense	57,622	-	-	-	57,622
Miscellaneous Expenses	188	-	1,145	7,593	8,926
Total Expenses	121,196	0	1,145	7,593	129,934
Total Cash Receipts Over/(Under) Disbursements	383,571	197,060	6,240	(4,497)	582,374
Other Financing Receipts and (Disbursements):					
Transfers from Memorial Funds	197,060	(197,060)	-	-	-
Net Income/(Loss)	580,631	-	6,240	(4,497)	582,374
Fund Balance, January 1	2,988,233	571,857	200,662	98,670	3,859,422
Fund Balance, December 31	\$ 3,568,864	\$ 571,857	\$ 206,902	\$ 94,173	\$ 4,441,796

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

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	December 31, 2006
Current Assets:	
Cash	\$ 483,637
Notes Receivable	1,000
Total Current Assets	484,637
 Investments-Mutual Funds:	
Money Market	21,442
Bonds and Notes	980,779
Common Stock	2,007,896
Other Investments	9,569
Property and Equipment (Net of Accumulated Depreciation)	355,099
 Total Assets	 3,859,422
 Fund Balances:	
Unrestricted	3,560,090
Restricted:	
Expendable Portion	63,595
Unexpendable Portion	137,067
Designated:	
Expendable Portion	88,670
Unexpendable Portion	10,000
 Fund Balances, December 31, 2007	 3,859,422
 Total Net Assets	 \$ 3,859,422

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

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Designated</u>	<u>Totals (Memorandum Only)</u>
Receipts:					
Dividends & Interest	\$ 102,175	\$ -	\$ -	\$ -	\$ 102,175
Capital Transactions	274,977	-	-	-	274,977
Interest and Dividends	3,016	-	4,097	1,869	8,982
Donations	-	-	275	17,135	17,410
Miscellaneous Receipts	3,297	-	-	-	3,297
Total Receipts	383,465	-	4,372	19,004	406,841
Disbursements and Depreciation:					
Donations	674	-	-	-	674
Accounting	5,630	-	-	-	5,630
Legal	6,636	-	-	-	6,636
Harris Trust Management Fee	4,000	-	-	-	4,000
Postage	39	-	-	-	39
Yard Care	2,016	-	-	-	2,016
Supplies	433	-	-	-	433
Flowers and Gifts	50	-	-	-	50
Medical	1,200	-	-	-	1,200
Meeting Expenses	751	-	-	-	751
Christmas Expenses	767	-	-	-	767
Dues	7,911	-	-	-	7,911
Insurance	4,525	-	-	-	4,525
Taxes	928	-	-	-	928
Depreciation	494	-	-	-	494
Scholarship Fund	10,000	-	-	-	10,000
Miscellaneous Expenses	156	-	2,273	13,979	16,408
Total Expenses	46,210	-	2,273	13,979	62,462
Net Income/(Loss)	337,255	-	2,099	5,025	344,379
Fund Balance, January 1	2,650,978	571,857	198,563	93,645	3,515,043
Fund Balance, December 31	\$ 2,988,233	\$ 571,857	\$ 200,662	\$ 98,670	\$ 3,859,422

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

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 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 and a mortgage payable.

Management has elected to not adhere to SFAS 116 and 117 that requires a not-for-profit organization to classify its net assets, revenue, expenses, gains and losses based on the existence or absence of donor-imposed restrictions and the classification of these amounts as restricted, permanently restricted or temporarily restricted. In addition, management has elected to report its investments at cost rather than at fair market value as required by SFAS 124.

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 four types of funds: general, unrestricted, restricted and designated.

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, Unrestricted and Designated Funds, are posted to the General Fund.

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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.

4. Designated 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 board-imposed restrictions.

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.

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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:

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$ 247,291	\$ 483,637
Investments – Mutual Funds		
Money Market	19,260	21,442
Bonds and Notes	1,282,779	980,779
Common Stock	2,043,931	2,007,896
Other Investments- Stock	<u>9,569</u>	<u>9,569</u>
Total Investments	<u>3,355,539</u>	<u>3,019,686</u>
Total Deposits and Investments	<u>\$ 3,602,830</u>	<u>\$ 3,503,323</u>

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, 2007 and 2006 are \$1,278,797 and \$973,989 respectively.

C. Other Investments – Stock

The stock is carried at cost basis. The fair value of the common stock as of December 31, 2007 and 2006 are \$2,093,944 and \$2,276,109 respectively.

4. PROPERTY AND EQUIPMENT

A summary of fixed assets at December 31 follows:

Classification	2007	2006
Land	\$ 644,438	\$ 307,538
Building	1,744,771	-
Land Improvement	161	268
Parking Lot and Improvements	47,051	47,264
Miscellaneous Assets	<u>17</u>	<u>29</u>
Total Fixed Assets	<u>\$ 2,436,438</u>	<u>\$ 355,099</u>

The amounts listed are net of accumulated depreciation. Accumulated depreciation was \$85,076 in 2007 and 60,794 in 2006. The Association purchased land and a building see not 7.

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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 \$5,038 during 2007, and \$7,478, during 2006.

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.

7. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage	\$ 1,589,143	7.64%

The Mortgage Note was issued for \$1,600,000 at an interest rate of 7.64% on June 14, 2007 for a period of 10 years for the purchase of a new building for the Library. The note will be repaid in monthly installments of \$13,045.14, including interest.

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

Year ending December 31:	<u>Mortgage</u>
2008	\$ 156,542
2009	156,542
2010	156,542
2011	156,542
2012	156,542
2013	156,542
Thereafter	769,665
Total	\$ 1,708,917

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

September 19, 2008

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 not-for-profit corporation, a component unit of the Lima Public Library, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 19, 2008, wherein we issued an adverse opinion because the Association has not implemented the financial reporting requirements of Statement of Financial Accounting Standards No. 116, 117 and 124. Except as discussed above, 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Association's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Association's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Association's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Association's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency 2007-001 as described above is a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated September 19, 2008.

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.

**LIMA LIBRARY ASSOCIATION
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006**

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

FINDING NUMBER 2007-001

Significant Deficiency/Material Weakness

Financial Statement Presentation

Statement of Financial Accounting Standards No. 116, 117 and 124, requires not-for-profit entities to classify the difference between its assets and liabilities as unrestricted net assets, temporarily restricted net assets, and permanent restricted assets based on the existence or absence of donor-imposed restrictions. In addition, the assets should be stated at fair market value and disclose information about expenses reported by functional classifications in the statement of activities or the notes to the financial statements.

The Association chose not to implement SFAS 116, 117 and 124 for 2007 and 2006.

We recommend the Association implement all appropriate required statements to their financial statement presentation.

Management's Response – We did not receive a response from officials to this finding.



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
NOVEMBER 6, 2008**