

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



Mary Taylor, CPA

Auditor of State

Board of Trustees
Lima Public Library
650 West Market Street
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, 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.

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 15, 2008

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**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

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Perry & Associates
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INDEPENDENT ACCOUNTANTS' REPORT

August 25, 2008

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 **Lima Public Library, Allen County, Ohio**, (the Library) as of and for the years ended December 31, 2007 and 2006. 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. 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, 2007 and 2006 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, 2007 and 2006 or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Lima Public Library, Allen County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2008, 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,

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**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
Cash Receipts:				
Other Government Grants-In-Aid	\$ 3,686,248	\$ -	\$ -	\$ 3,686,248
Patron Fines and Fees	77,063	-	-	77,063
Services Provided Other Entities	5,385	-	-	5,385
Earnings on Investments	142,257	-	-	142,257
Contributions, Gifts and Donations	-	11,413	-	11,413
Miscellaneous Receipts	22,987	-	5,375	28,362
	<u>\$3,933,940</u>	<u>11,413</u>	<u>5,375</u>	<u>3,950,728</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries and Benefits	2,894,155	-	-	2,894,155
Library Materials and Information	533,570	6,351	-	539,921
Purchased and Contracted Services	417,691	-	26,601	444,292
Supplies	76,450	-	-	76,450
Other Objects	46,588	-	-	46,588
Capital Outlay	25,250	-	116,710	141,960
	<u>3,993,704</u>	<u>6,351</u>	<u>143,311</u>	<u>4,143,366</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(59,764)</u>	<u>5,062</u>	<u>(137,936)</u>	<u>(192,638)</u>
Fund Cash Balances, January 1	<u>1,834,768</u>	<u>3,737</u>	<u>1,010,167</u>	<u>2,848,672</u>
Fund Cash Balances, December 31	<u>\$ 1,775,004</u>	<u>\$ 8,799</u>	<u>\$ 872,231</u>	<u>\$ 2,656,034</u>
Reserve for Encumbrances, December 31	<u>\$ 84,189</u>	<u>\$ -</u>	<u>\$ 20,275</u>	<u>\$ 104,464</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
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Other Revenue	\$ 100	\$	\$ 100
Service Provided to Other Entities	-	9,000	9,000
	<u>100</u>	<u>9,000</u>	<u>9,100</u>
Operating Cash Disbursements:			
Current:			
Library Materials and Information	-	3,646	3,646
Purchased and Contracted Services	-	4,200	4,200
Supplies	-	296	296
Other	45	1,386	1,431
	<u>45</u>	<u>9,528</u>	<u>9,573</u>
Total Cash Disbursements	<u>45</u>	<u>9,528</u>	<u>9,573</u>
Operating Income/(Loss)	<u>55</u>	<u>(528)</u>	<u>(473)</u>
Non-Operating Cash Receipts:			
Earnings on Investments	-	39	39
	<u>-</u>	<u>39</u>	<u>39</u>
Total Non-Operating Cash Receipts	<u>-</u>	<u>39</u>	<u>39</u>
Net Receipts Over/(Under) Disbursements	55	(489)	(434)
Fund Cash Balances, January 1	<u>7,576</u>	<u>6,355</u>	<u>13,931</u>
Fund Cash Balances, December 31	<u><u>\$ 7,631</u></u>	<u><u>\$ 5,866</u></u>	<u><u>\$ 13,497</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, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
Cash Receipts:				
Other Government Grants-In-Aid	\$ 3,695,695	\$ -	\$ -	\$ 3,695,695
Patron Fines and Fees	79,202	-	-	79,202
Services Provided Other Entities	5,865	-	-	5,865
Earnings on Investments	133,666	-	-	133,666
Contributions, Gifts and Donations	197	5,005	-	5,202
Miscellaneous Receipts	20,759	-	-	20,759
	<u>3,935,384</u>	<u>5,005</u>	<u>-</u>	<u>3,940,389</u>
Total Cash Receipts				
	<u>3,935,384</u>	<u>5,005</u>	<u>-</u>	<u>3,940,389</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	2,812,271	-	-	2,812,271
Library Materials and Information	656,329	10,400	-	666,729
Purchased and Contracted Services	380,826	-	13,763	394,589
Supplies	78,137	-	-	78,137
Other Objects	55,086	-	-	55,086
Capital Outlay	18,881	-	84,854	103,735
	<u>4,001,530</u>	<u>10,400</u>	<u>98,617</u>	<u>4,110,547</u>
Total Cash Disbursements				
	<u>4,001,530</u>	<u>10,400</u>	<u>98,617</u>	<u>4,110,547</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(66,146)</u>	<u>(5,395)</u>	<u>(98,617)</u>	<u>(170,158)</u>
Fund Cash Balances, January 1	<u>1,900,914</u>	<u>9,132</u>	<u>1,108,784</u>	<u>3,018,830</u>
Fund Cash Balances, December 31	<u>\$ 1,834,768</u>	<u>\$ 3,737</u>	<u>\$ 1,010,167</u>	<u>\$ 2,848,672</u>
Reserve for Encumbrances, December 31	<u>\$ 118,725</u>	<u>\$ -</u>	<u>\$ 16,916</u>	<u>\$ 135,641</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
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Other Revenue	\$ 179	\$ -	\$ 179
Service Provided to Other Entities	-	9,000	9,000
	<u>179</u>	<u>9,000</u>	<u>9,179</u>
Operating Cash Disbursements:			
Current:			
Library Materials and Information	-	3,861	3,861
Purchased and Contracted Services	-	4,550	4,550
Supplies	-	261	261
Other	26	1,450	1,476
	<u>26</u>	<u>10,122</u>	<u>10,148</u>
Total Cash Disbursements	<u>26</u>	<u>10,122</u>	<u>10,148</u>
Operating Income/(Loss)	<u>153</u>	<u>(1,122)</u>	<u>(969)</u>
Non-Operating Cash Receipts:			
Earnings on Investments	-	46	46
	<u>-</u>	<u>46</u>	<u>46</u>
Total Non-Operating Cash Receipts	<u>-</u>	<u>46</u>	<u>46</u>
Net Receipts Over/(Under) Disbursements	153	(1,076)	(923)
Fund Cash Balances, January 1	<u>7,423</u>	<u>7,431</u>	<u>14,854</u>
Fund Cash Balances, December 31	<u><u>\$ 7,576</u></u>	<u><u>\$ 6,355</u></u>	<u><u>\$ 13,931</u></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, 2007 AND 2006**

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 Library's management believes these financial statements present all activities for which the Library is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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:

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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 for the acquisition or construction of 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 the sales at the Library Gift Shop. As of December 31, 2007 inventory had been depleted and there are no plans for restocking inventory.

5. Fiduciary Funds (Agency 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 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 legal level of control.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Library uses.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash 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 cash and investments at December 31 follows:

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$ 5,866	\$ 6,355
Certificates of Deposit	522,621	-
Public Funds	<u>1,696,764</u>	<u>2,596,285</u>
Total Deposits	2,225,251	2,602,640
STAR Ohio	117,593	111,331
Repurchase Agreement	<u>326,197</u>	<u>148,142</u>
Total Investments	443,790	259,473
Total Deposits and Investments	<u>\$ 2,669,041</u>	<u>\$ 2,862,113</u>

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Repurchase agreements are collateralized by specific securities purchased with funds swept from that account.

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,855,940	\$ 3,933,940	\$ 1,078,000
Special Revenue	15,550	11,413	(4,137)
Capital Projects	-	5,375	5,375
Enterprise	-	100	100
Total	<u>\$ 2,871,490</u>	<u>\$ 3,950,828</u>	<u>\$ 1,079,338</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,310,812	\$ 4,077,893	\$ 232,919
Special Revenue	27,000	6,351	20,649
Capital Project	1,060,896	163,586	897,310
Enterprise	100	45	55
Total	<u>\$ 5,398,808</u>	<u>\$ 4,247,875</u>	<u>\$ 1,150,933</u>

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,864,080	\$ 3,935,384	\$ 71,304
Special Revenue	5,550	5,005	(545)
Enterprise	250	179	(71)
Total	<u>\$ 3,869,880</u>	<u>\$ 3,940,568</u>	<u>\$ 70,688</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,138,975	\$ 4,120,255	\$ 18,720
Special Revenue	32,991	10,400	22,591
Capital Projects	1,164,808	115,533	1,049,275
Enterprise	2,150	26	2,124
Total	<u>\$ 5,338,924</u>	<u>\$ 4,246,214</u>	<u>\$ 1,092,710</u>

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

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

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

5. RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The Library's PERS members contributed 9.5 percent for 2007 and 9.0 percent for 2006 of their gross salaries. The Library contributed an amount equal to 13.85 percent of participants' gross salaries for 2007 and 13.70 percent for 2006. The Library has paid all contributions required through December 31, 2007.

6. 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.

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

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

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

7. LIMA LIBRARY ASSOCIATION

The Lima Library 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.

The Association's revenues, expenses, and fund balance for the years ended December 31, 2007 and 2006, are as follows:

	<u>Revenues</u>	<u>Expenses</u>	<u>Total Assets</u>
2007	\$ 712,308	\$ 129,934	\$ 6,040,268
2006	406,841	62,462	3,859,422

The amount spent on behalf of the Library for the years 2007 and 2006 were \$5,038 and \$7,478, respectively.

8. CONTINGENT LIABILITIES

The union representing the bargaining unit of the Library, OAPSE 4, has filed multiple unfair labor practices against the library. Many were dismissed. The Union has asked for damages, which if granted, would result in a payment from the library of approximately \$50,000. Although the outcome of these grievances are not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Library's financial condition.

Perry & Associates
Certified Public Accountants, A.C.

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

August 25, 2008

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 Lima Public Library, Allen County, (the Library) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 25, 2008, 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 expressing our opinions on the financial statements, but not to opine 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.

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 Library'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 Library'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 deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library'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 deficiencies described above are not material weaknesses.

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 one instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2007-001.

This report is intended solely for the information and use of Library management and 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 PUBLIC LIBRARY
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

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Library filed the Annual Financial Report with the Auditor of State's office but the amounts in the report did not agree with the amounts on the Library's accounting system. It was noted various receipts and expenditures were accurately posted to the Library's accounting system, however the Clerk misclassified them or reported the wrong amount when manually preparing the Annual Financial Report.

We recommend the Annual Financial Report be compiled from the Library's accounting system and be reconciled.

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

FINDING NUMBER 2007-002

Significant Deficiency

Cash Reconciliations

The clerk did not reconcile the end of the month bank balance for all accounts to the end of the month cash balance per the Library's records. Rather, the Clerk reconciled the end of the month bank balance for only one account to the cash balance per the Library's records. The Clerk did not include the Agency Fund balance within the reconciliation nor was there a reconciliation of investment accounts done.

We recommend the Clerk reconcile at the end of the month all bank balances to the Library's end of the month cash balance per the accounting system. We recommend the Library include this reconciliation as part of the financial report to the Board of Trustees to approve each month at its meeting. Monthly reconciliations should include all accounts reconciled to total fund balance of all funds.

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

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 117.38	No	Repeated as Finding 2007-001
2005-002	Cash Reconciliations	No	Repeated as Finding 2007-002



Mary Taylor, CPA
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
NOVEMBER 6, 2008**