



**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

LIMA PUBLIC LIBRARY
ALLEN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Lima Public Library
Allen County
650 West Market Street
Lima, Ohio 45801

To the Board of Trustees:

We have audited the accompanying financial statements of the Lima Public Library, Allen County, (the Library) as of and for the years ended December 31, 2001 and 2000. 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 *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 Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, 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 fund cash balances and reserves for encumbrances of the Library as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2002 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Board of Trustees, 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.

Jim Petro
Auditor of State

March 15, 2002

**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, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Other Government Grants-In-Aid	\$3,996,178			\$3,996,178
Patron Fines and Fees	75,897			75,897
Earnings on Investments	185,928			185,928
Contributions, Gifts and Donations	250		\$16,381	16,631
Miscellaneous Receipts	32,960			32,960
Other Grants		\$18,358		18,358
	<u>4,291,213</u>	<u>18,358</u>	<u>16,381</u>	<u>4,325,952</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries and Benefits	2,417,504			2,417,504
Purchased and Contracted Services	452,315		81,394	533,709
Other Objects	796,872			796,872
Capital Outlay	34,468	14,752	961,085	1,010,305
	<u>3,701,159</u>	<u>14,752</u>	<u>1,042,479</u>	<u>4,758,390</u>
Total Cash Disbursements				
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>590,054</u>	<u>3,606</u>	<u>(1,026,098)</u>	<u>(432,438)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			400,000	400,000
Transfers-Out	(400,000)			(400,000)
	<u>(400,000)</u>		<u>400,000</u>	
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	190,054	3,606	(626,098)	(432,438)
Fund Cash Balances, January 1, 2001	<u>1,248,245</u>		<u>1,905,435</u>	<u>3,153,680</u>
Fund Cash Balances, December 31, 2001	<u>\$1,438,299</u>	<u>\$3,606</u>	<u>\$1,279,337</u>	<u>\$2,721,242</u>
Reserves for Encumbrances, December 31, 2001	<u>\$216,053</u>	<u>\$0</u>	<u>\$66,712</u>	<u>\$282,765</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, 2001**

	<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	\$658		\$658
Services Provided to Other Entities		\$7,600	7,600
Total Operating Cash Receipts	<u>658</u>	<u>7,600</u>	<u>8,258</u>
Operating Cash Disbursements:			
Current:			
Purchased and Contracted Services		5,106	5,106
Other Objects	427	718	1,145
Capital Outlay		5,569	5,569
Total Operating Cash Disbursements	<u>427</u>	<u>11,393</u>	<u>11,820</u>
Operating Income/(Loss)	<u>231</u>	<u>(3,793)</u>	<u>(3,562)</u>
Non-Operating Cash Receipts:			
Earnings on Investment		217	217
Total Non-Operating Cash Receipts		<u>217</u>	<u>217</u>
Excess of Receipts Over/(Under) Disbursements	231	(3,576)	(3,345)
Fund Cash Balances, January 1, 2001	<u>6,320</u>	<u>14,958</u>	<u>21,278</u>
Fund Cash Balances, December 31, 2001	<u>\$6,551</u>	<u>\$11,382</u>	<u>\$17,933</u>
Reserves for Encumbrances, December 31, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$0</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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Capital Projects	
Cash Receipts:			
Other Government Grants-In-Aid	\$3,757,717	\$183,801	\$3,941,518
Patron Fines and Fees	77,545		77,545
Earnings on Investments	167,189		167,189
Miscellaneous Receipts	39,992		39,992
Total Cash Receipts	4,042,443	183,801	4,226,244
Cash Disbursements:			
Current:			
Salaries and Benefits	2,217,437		2,217,437
Purchased and Contracted Services	486,032	35,078	521,110
Other Objects	785,379		785,379
Capital Outlay	23,533	319,050	342,583
Total Cash Disbursements	3,512,381	354,128	3,866,509
Total Cash Receipts Over/(Under) Cash Disbursements	530,062	(170,327)	359,735
Fund Cash Balances, January 1, 2000	718,183	2,075,762	2,793,945
Fund Cash Balances, December 31, 2000	\$1,248,245	\$1,905,435	\$3,153,680
Reserves for Encumbrances, December 31, 2000	\$228,568	\$171,438	\$400,006

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, 2000**

	<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	\$1,630		\$1,630
Services Provided to Other Entities		\$10,800	10,800
	<u>1,630</u>	<u>10,800</u>	<u>12,430</u>
Operating Cash Disbursements:			
Current:			
Purchased and Contracted Services	10	4,956	4,966
Other Objects	1,017	724	1,741
Capital Outlay		6,612	6,612
	<u>1,027</u>	<u>12,292</u>	<u>13,319</u>
Operating Income/(Loss)	<u>603</u>	<u>(1,492)</u>	<u>(889)</u>
Non-Operating Cash Receipts:			
Earnings on Investments		233	233
Other Non-Operating Receipts		24	24
		<u>257</u>	<u>257</u>
Excess of Receipts Over/(Under) Disbursements	603	(1,235)	(632)
Fund Cash Balances, January 1, 2000	<u>5,717</u>	<u>16,193</u>	<u>21,910</u>
Fund Cash Balances, December 31, 2000	<u>\$6,320</u>	<u>\$14,958</u>	<u>\$21,278</u>
Reserves for Encumbrances, December 31, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

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

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 the State 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. 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. 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.

Certificates of deposit, repurchase agreements, and U.S. Treasury Notes 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:

Bill and Melinda Gates Foundation - This fund receives grant money to expand public access to computers and the Internet.

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Projects 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 projects 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.

5. Fiduciary Funds (Agency Fund)

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 Ohio Administrative Code requires budgeting for each fund annually.

1. Appropriations

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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Effective January 1, 2001, the Ohio Administrative Code amended library budgetary requirements. Libraries are not required to estimate resources or encumber appropriations.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$11,383	\$14,959
Banksafe Plus	2,352,563	1,758,942
Certificates of deposit	140,000	300,000
Total deposits	2,503,946	2,073,901
Treasury Notes	95,804	851,102
Repurchase agreement	138,935	249,465
Total investments	234,739	1,100,567
Total deposits and investments	<u>\$2,738,685</u>	<u>\$3,174,468</u>

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

Investments: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Library's financial institution. The financial institution maintains records identifying the Library as owner of these securities. 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, 2001 AND 2000**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$4,256,297	\$4,291,213	\$34,916
Special Revenue	18,358	18,358	0
Capital Projects	416,381	416,381	0
Enterprise	3,200	658	(2,542)
Total	<u>\$4,694,236</u>	<u>\$4,726,610</u>	<u>\$32,374</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$4,815,825	\$4,317,212	\$498,613
Special Revenue	18,358	14,752	3,606
Capital Projects	2,309,317	1,109,191	1,200,126
Enterprise	3,200	427	2,773
Total	<u>\$7,146,700</u>	<u>\$5,441,582</u>	<u>\$1,705,118</u>

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$3,941,717	\$4,042,443	\$100,726
Capital Projects	300,000	183,801	(116,199)
Enterprise	3,200	1,630	(1,570)
Total	<u>\$4,244,917</u>	<u>\$4,227,874</u>	<u>(\$17,043)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$4,057,376	\$3,740,949	\$316,427
Capital Projects	2,348,771	525,566	1,823,205
Enterprise	3,200	1,027	2,173
Total	<u>\$6,409,347</u>	<u>\$4,267,542</u>	<u>\$2,141,805</u>

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

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

4. GRANTS-IN-AID

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 of 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 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000 and from January 1, 2001 through December 31, 2001. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000. The Library has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

A. Commercial Insurance

The 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.

7. CONTRACTUAL COMMITMENTS

The Library had entered into the following contract with an outstanding amount at December 31, 2001:

<u>Company</u>	<u>Project</u>	<u>Amount</u>
Sprint Electric Inc.	Spencerville Branch Library	\$6,448

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

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

8. 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 balances for the years ended December 31, 2001 and 2000, are as follows:

	Revenues	Expenses	Fund Balances
2001	\$310,237	\$203,016	\$3,260,247
2000	\$315,210	\$ 47,205	\$3,153,026

The Library Association assisted in the construction of the Spencerville Branch of the Lima Public Library, in the amount of \$163,234, during the year ended December 31, 2001.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Lima Public Library
Allen County
650 West Market Street
Lima, Ohio 45801

To the Board of Trustees:

We have audited the accompanying financial statements of the Lima Public Library, Allen County, (the Library) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated March 15, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated March 15, 2002.

Lima Public Library
Allen County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

March 15, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
APRIL 4, 2002**