

**LIMA PUBLIC LIBRARY  
ALLEN COUNTY  
Regular Audit  
December 31, 2005 and 2004**





# 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, 2004 through December 31, 2005. 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

March 8, 2007

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**LIMA PUBLIC LIBRARY  
ALLEN COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

December 5, 2006

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, 2005 and 2004. 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.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately beginning in 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since the Library does not use GAAP to measure financial statement amounts, 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, 2005 and 2004 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, 2005 and 2004 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, 2005 and 2004, 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, 2005 and 2004. 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 December 5, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**LIMA PUBLIC LIBRARY  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
<b>Cash Receipts:</b>				
Other Government Grants-In-Aid	\$ 3,686,455	\$	\$	\$ 3,686,455
Patron Fines and Fees	72,422			72,422
Services Provided Other Entities	4,435			4,435
Earnings on Investments	83,728			83,728
Contributions, Gifts and Donations	100	4,565	50	4,715
Miscellaneous Receipts	21,348			21,348
	<u>3,868,488</u>	<u>4,565</u>	<u>50</u>	<u>3,873,103</u>
<b>Total Cash Receipts</b>				
	<u>3,868,488</u>	<u>4,565</u>	<u>50</u>	<u>3,873,103</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	2,720,397			2,720,397
Library Materials and Information	509,522	1,039		510,561
Purchased and Contracted Services	355,034		27,403	382,437
Supplies	74,129			74,129
Other Objects	43,062			43,062
Capital Outlay	12,654		99,390	112,044
	<u>3,714,798</u>	<u>1,039</u>	<u>126,793</u>	<u>3,842,630</u>
<b>Total Cash Disbursements</b>				
	<u>3,714,798</u>	<u>1,039</u>	<u>126,793</u>	<u>3,842,630</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>153,690</u>	<u>3,526</u>	<u>(126,743)</u>	<u>30,473</u>
Fund Cash Balances, January 1	<u>1,747,224</u>	<u>5,606</u>	<u>1,235,527</u>	<u>2,988,357</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 1,900,914</b></u>	<u><b>\$ 9,132</b></u>	<u><b>\$ 1,108,784</b></u>	<u><b>\$ 3,018,830</b></u>
Reserve for Encumbrances, December 31	<u>\$ 204,892</u>	<u>\$ -</u>	<u>\$ 2,198</u>	<u>\$ 207,090</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, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Other Revenue	\$ 221	\$	\$ 221
Service Provided to Other Entities		9,000	9,000
	<u>221</u>	<u>9,000</u>	<u>9,221</u>
<b>Operating Cash Disbursements:</b>			
Current:			
Library Materials and Information		4,443	4,443
Purchased and Contracted Services		3,850	3,850
Supplies		32	32
Other		630	630
	<u>0</u>	<u>8,955</u>	<u>8,955</u>
Total Cash Disbursements			
	<u>221</u>	<u>45</u>	<u>266</u>
Operating Income/(Loss)			
	<u>221</u>	<u>45</u>	<u>266</u>
<b>Non-Operating Cash Receipts:</b>			
Other Local Taxes	(20)		(20)
Earnings on Investments		43	43
	<u>(20)</u>	<u>43</u>	<u>23</u>
Total Non-Operating Cash Receipts			
	<u>(20)</u>	<u>43</u>	<u>23</u>
Net Receipt Over/(Under) Disbursements	201	88	289
Fund Cash Balances, January 1	<u>7,222</u>	<u>7,343</u>	<u>14,565</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 7,423</u></u>	<u><u>\$ 7,431</u></u>	<u><u>\$ 14,854</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, 2004**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
<b>Cash Receipts:</b>				
Other Government Grants-In-Aid	\$ 3,665,777	\$	\$	\$ 3,665,777
Patron Fines and Fees	39,583			39,583
Earnings on Investments	34,229			34,229
Contributions, Gifts and Donations	16,452			16,452
Miscellaneous Receipts	59,072			59,072
	<u>3,815,113</u>	<u>0</u>	<u>0</u>	<u>3,815,113</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	2,570,961			2,570,961
Library Materials and Information	559,992			559,992
Purchased and Contracted Services	347,938			347,938
Supplies	73,145			73,145
Other	42,834			42,834
Capital Outlay	8,575		53,710	62,285
	<u>3,603,445</u>	<u>0</u>	<u>53,710</u>	<u>3,657,155</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>211,668</u>	<u>0</u>	<u>(53,710)</u>	<u>157,958</u>
Fund Cash Balances, January 1	<u>1,535,556</u>	<u>5,606</u>	<u>1,289,237</u>	<u>2,830,399</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 1,747,224</u></b>	<b><u>\$ 5,606</u></b>	<b><u>\$ 1,235,527</u></b>	<b><u>\$ 2,988,357</u></b>
Reserve for Encumbrances, December 31	<u>\$ 83,140</u>	<u>\$ -</u>	<u>\$ 11,271</u>	<u>\$ 94,411</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, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Other Revenue	\$ 306	\$	\$ 306
Service Provided to Other Entities		6,400	6,400
	<u>306</u>	<u>6,400</u>	<u>6,706</u>
<b>Operating Cash Disbursements:</b>			
Current:			
Library Materials and Information		3,795	3,795
Purchased and Contracted Services		3,850	3,850
Supplies		6	6
Other	43	907	950
	<u>43</u>	<u>8,558</u>	<u>8,601</u>
Total Cash Disbursements			
	<u>43</u>	<u>8,558</u>	<u>8,601</u>
Operating Income/(Loss)	<u>263</u>	<u>(2,158)</u>	<u>(1,895)</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investments		34	34
		<u>34</u>	<u>34</u>
Total Non-Operating Cash Receipts	<u>0</u>	<u>34</u>	<u>34</u>
Net Receipt Over/(Under) Disbursements	263	(2,124)	(1,861)
Fund Cash Balances, January 1	<u>6,959</u>	<u>9,467</u>	<u>16,426</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 7,222</u></u>	<u><u>\$ 7,343</u></u>	<u><u>\$ 14,565</u></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, 2005 AND 2004**

**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, 2005 AND 2004  
(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, 2005 inventory had been depleted 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 fund, function, and object level of control.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**LIMA PUBLIC LIBRARY  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(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:

	2005	2004
Demand Deposits	7,431	7,343
Public Funds	<u>2,476,374</u>	<u>2,404,873</u>
Total Deposits	<u>2,483,805</u>	<u>2,412,216</u>
STAR Ohio	106,141	103,121
Repurchase Agreement	<u>443,248</u>	<u>487,095</u>
Total Investments	<u>549,389</u>	<u>590,216</u>
Total Deposits and Investments	<u>\$ 3,033,194</u>	<u>\$ 3,002,432</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, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,756,378	\$3,868,488	\$112,110
Special Revenue	29,952	4,565	(25,387)
Capital Projects	5,000	50	(4,950)
Enterprise	2,150	221	(1,929)
Total	\$3,793,480	\$3,873,324	\$79,844

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,320,846	\$3,919,690	\$401,156
Special Revenue	31,500	1,039	30,461
Capital Project	1,237,265	128,991	1,108,274
Enterprise	2,150	0	2,150
Total	\$5,591,761	\$4,049,720	\$1,542,041

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,744,734	\$3,815,113	\$70,379
Enterprise	2,150	306	(1,844)
Total	\$3,746,884	\$3,815,419	\$68,535

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,180,026	\$3,686,585	\$493,441
Capital Projects	1,289,237	64,981	1,224,256
Enterprise	2,150	43	2,107
Total	\$5,471,413	\$3,751,609	\$1,719,804

**LIMA PUBLIC LIBRARY  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(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 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries for 2005 and 2004. The Library has paid all contributions required through December 31, 2005.

**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, 2005 AND 2004  
(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, 2005 and 2004, are as follows:

	<u>Revenues</u>	<u>Expenses</u>	<u>Fund Balances</u>
2005	\$ 244,750	\$ 55,989	\$ 3,537,541
2004	179,316	63,513	3,348,780

The amount spent on behalf of the Library for the years 2005 and 2004 were \$9,553 and \$11,781, respectively.

***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***

December 5, 2006

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, 2005 and 2004, and have issued our report thereon dated December 5, 2006, 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 judgment, could adversely affect the Library'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 2005-002. In a separate letter to the Library's management dated December 5, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

A material weakness is a reportable 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 caused by error or fraud 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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We do not consider Finding 2005-002 to be a material weakness.

Lima Public Library  
Allen County  
Independent Accountants' Report on Internal Control Over  
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### **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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Library's management dated December 5, 2006, we reported one other matter related to noncompliance we deemed immaterial.

This report is intended solely for the information and use of Library 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 PUBLIC LIBRARY  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-001**

**Noncompliance Citation**

**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. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

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. For example, the Clerk included the Agency Fund Type funds into the General Revenue Fund Type on the Annual Financial Report. It was also noted various receipts in 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 for both years. Numerous audit reclassifications were proposed to the Library's Financial Statements.

We recommend the Annual Financial Report be compiled from the Library's accounting system and be reconciled. In addition, the Library should publish notice in a local newspaper that the financial report is available for public inspection.

**Management's Response** – Management chose to not respond.

**FINDING NUMBER 2005-002**

**Reportable Condition**

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

**Management's Response** – Management chose to not respond.



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  
MARCH 20, 2007