



**Auditor of State  
Betty Montgomery**



**CINCINNATI LAW LIBRARY ASSOCIATION  
HAMILTON COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Cincinnati Law Library Association  
Hamilton County  
1000 Main Street  
Room 601  
Cincinnati, Ohio 45202

To the Board of Trustees:

We have audited the accompanying financial statements of the public funds of the Cincinnati Law Library Association, Hamilton County, Ohio (the Library), as of and for the years ended December 31, 2002 and 2001. 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. Also, the financial statements present only the public funds, and are not intended to present fairly the financial position and results of operations of the Library in conformity with the basis of accounting as described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Library's public fund as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Notes 2 and 3, the Library experienced a deficit fund balance of \$20,548 at December 31, 2002, and obtained loans from the Library's Private Fund to meet cash disbursement requirements. Information about the deficit and managements plan to retire the loans from the private funds is located in Note 2 and 3.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2003 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 audit committee, management, Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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**Betty Montgomery**  
Auditor of State

August 20, 2003

**CINCINNATI LAW LIBRARY ASSOCIATION  
HAMILTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PUBLIC FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2001**

	<b>2002</b>	<b>2001</b>
<b>Cash Receipts:</b>		
Fine and Forfeitures	\$926,357	\$828,177
Interest	3	1,669
Miscellaneous Receipts	17,915	20,327
	<b>944,275</b>	<b>850,173</b>
Total Cash Receipts		
<b>Cash Disbursements:</b>		
Supplies and Materials	106,889	221,787
Subscription, Periodicals, & Continuation	760,557	537,504
Equipment	526	94,790
Salaries and Benefits	249,619	228,077
	<b>1,117,591</b>	<b>1,082,158</b>
Total Cash Disbursements		
Total Cash Receipts Under Cash Disbursements	<b>(173,316)</b>	<b>(231,985)</b>
<b>Other Financing Receipts:</b>		
Loan from Private Funds	144,000	136,600
	<b>144,000</b>	<b>136,600</b>
Total Other Financing Receipts		
Deficiency of Cash Receipts and Other Financing Receipts Under Cash Disbursements	(29,316)	(95,385)
Public Fund Cash Balances, January 1	8,768	104,153
<b>Public Fund Cash Balances, December 31</b>	<b>(\$20,548)</b>	<b>\$8,768</b>

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

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**CINCINNATI LAW LIBRARY ASSOCIATION  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Cincinnati Law Library Association, Hamilton County, Ohio (the Library), is directed by a board of twelve trustees. Nine of the members are elected by the voting members of the Law Library. One member is appointed by the presiding Judge of the Court of Common and two members are appointed by the Hamilton County Bar Association. The Library provides free access for all county officers and the judges of the several courts within the county.

The Library operates by receiving a portion of fine and forfeiture monies from the courts (and any associated interest) under Ohio Revised Code (ORC) Sections 3375.50 to .53, inclusive. The Library is permitted to expend funds under ORC Section 3375.54. The funds of the Library are expended on the purchase, lease or rental of lawbooks; computer communications consoles to access a system of computerized legal research; microfilm materials and equipment, videotape materials and equipment; audio or visual materials and equipment; and other services, materials, and equipment that provide legal information or facilitate legal research.

The Hamilton County Commissioners are required by ORC Section 3375.49 to provide adequate facilities for the Library. The Board of County Commissioners is required to provide suitable bookcases, heating and lighting for the rooms.

The Board of Trustees hire a librarian and not more than two assistant law librarians. The Judges of the Court of Common Pleas of Hamilton County fix the compensation of the librarian and up to two assistant librarians pursuant to ORC Section 3375.48. If the Library provides free access to all county officers and the judges of the several courts, the salary of the law librarian and up to two assistants should be paid from the county treasury. If the conditions above are not met, then the salary of the librarian and any assistants should be paid by the Library.

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

Some funds received by the Library are considered private monies. Private monies include: membership dues, overdue book charges and photocopying charges. Fees collected for the use of books and copiers remain private even though the books and copiers may have been purchased with public funds. Private monies can be disbursed at the discretion of the Library Board. The accompanying financial statements do not present private monies.

**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.

**CINCINNATI LAW LIBRARY ASSOCIATION  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

Money market mutual funds are recorded at share values reported by the mutual fund.

**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.

**E. Property, Plant and Equipment**

Acquisitions of equipment are recorded as equipment disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Items purchased which are deemed to be equipment are computers, copiers, fax machines, and other items related toward facilitating the use of the equipment.

**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 carrying amount of cash and investments at December 31 follows:

	<u>2002</u>	<u>2001</u>
Demand deposits	(\$20,777)	\$8,543
Fountain Square U.S. Treasury Mutual Fund	<u>229</u>	<u>225</u>
Total deposits and investments	<u><u>(\$20,548)</u></u>	<u><u>\$8,768</u></u>

Although the carrying amount of deposits was a negative \$20,777 at December 31, 2002, the bank balance was \$66,292. The variance is due to reconciling items.

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

**CINCINNATI LAW LIBRARY ASSOCIATION  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Loan from Private Funds	\$280,600	0.00%

The Cincinnati Law Library Association receives membership dues and financial gifts from its members and supporters. These monies are the private funds of the Cincinnati Law Library Association, not public moneys. These moneys are recorded in the Private Fund. Upon approval of the Board of Trustees of the Cincinnati Law Library Association, which is elected by its membership, the Private Fund periodically during the audit period loaned monies to the Public Fund (the statutory fund) to assist the Library in meeting its statutory requirements. During the audit period the Cincinnati Law Library Association loaned the Library a total of \$280,600.

In addition to the loans made during fiscal year 2001 and 2002, the Cincinnati Law Library Association loaned the Library \$114,400 during fiscal year 2003. On May 29, 2003, the Library Board established a payment schedule to repay the loan of \$395,000 in annual installment of \$39,500, over 10 years, starting December 2004.

This loan is not collateralized. However, the Library Board anticipates being able to repay the loan by reducing future contract expenditures, cutting Library staff through attrition, and increasing revenue with interest income from their sweep account and Municipal fine receipts.

As of December 31, 2002 and 2001, the Library's unaudited private fund cash and investments, after transfers to the Public Funds, were adequate to cover the deficit.

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

	Loan from Private Fund
Year ending December 31:	
2003	\$0
2004	39,500
2005	39,500
2006	39,500
2007	39,500
2008 – 2012	237,000
Total	\$395,000

**4. RISK MANAGEMENT**

**Commercial Insurance**

The Law Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Inland Marine; and
- Errors and omissions.

**CINCINNATI LAW LIBRARY ASSOCIATION  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. SUBSEQUENT EVENTS**

As of January 17, 2003, the Library had bills for November and December 2002 general operation totaling \$151,935 that were not paid.



**Auditor of State  
Betty Montgomery**

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

Cincinnati Law Library Association  
Hamilton County  
1000 Main Street  
Room 601  
Cincinnati, Ohio 45202

To the Board of Trustees:

We have audited the accompanying financial statements of the Cincinnati Law Library Association, Hamilton County, Ohio (the Library), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 20, 2003, wherein we indicated the financial statements only include the public funds, and wherein we disclosed that the financial statements present Public Fund cash deficits. 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.

**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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our 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. A reportable condition is described in the accompanying schedule of findings as item 2002-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated August 20, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 20, 2003

**CINCINNATI LAW LIBRARY  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Material Weakness— Monitoring Financial Activity**

At December 31, 2002, the Library had a negative cash balance of \$20,548. They also incurred loans from their Private Funds of \$136,600, \$144,000, and \$114,400 during fiscal years 2001, 2002, and 2003, respectively. The Board of Trustees did not establish a plan to repay the loans until May 2003.

The Board of Trustees should monitor the financial activity of the Library to avoid negative cash balances, and assure proper repayment of loans.





**Auditor of State  
Betty Montgomery**

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**CINCINNATI LAW LIBRARY ASSOCIATION**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 11, 2003**