



**LORAIN LAW LIBRARY ASSOCIATION  
LORAIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002**



**Auditor of State  
Betty Montgomery**



LORAIN LAW LIBRARY ASSOCIATION  
LORAIN COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Board of Trustees  
Lorain Law Library Association  
Lorain County  
226 Middle Avenue  
Elyria, Ohio 44035

We have audited the accompanying financial statements of the General Fund of the Lorain Law Library Association, Lorain County, Ohio, (the Library) as of and for the years ended December 31, 2003 and December 31, 2002. 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As described 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 General Fund 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 General Fund of the Lorain Law Library Association, Lorain County, Ohio, as of December 31, 2003, and December 31, 2002, and its 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 2, 2004, 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 audits.

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

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

**Betty Montgomery**  
Auditor of State

March 2, 2004

**LORAIN LAW LIBRARY ASSOCIATION  
LORAIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PUBLIC FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>General Fund</b>
<b>Cash Receipts:</b>	
Fines and Forfeitures	\$550,432
Interest	2,922
Miscellaneous Receipts	18,719
	<hr/>
Total Cash Receipts	572,073
	<hr/>
<b>Cash Disbursements:</b>	
Current:	
Books, Tapes and CD-Rom	358,523
Salaries and Benefits	52,009
Supplies and Equipment	22,446
Insurance	3,604
Purchase and Contract Services	79,923
Utilities	8,606
Westlaw	50,184
Travel, Dues and Meetings	3,136
Miscellaneous	18
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Total Cash Disbursements	578,449
	<hr/>
Total Cash Receipts (Under) Cash Disbursements	(6,376)
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Public Fund Cash Balances, January 1	564,127
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<b>Public Fund Cash Balances, December 31</b>	<b>\$557,751</b>
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*The notes to the financial statements are an integral part of this statement.*

**LORAIN LAW LIBRARY ASSOCIATION  
LORAIN COUNTY**

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

	<b>General Fund</b>
<b>Cash Receipts:</b>	
Fines and Forfeitures	\$628,613
Interest	6,019
Miscellaneous Receipts	9,936
Total Cash Receipts	644,568
<b>Cash Disbursements:</b>	
Current:	
Books, Tapes and CD-Rom	394,203
Salaries and Benefits	47,406
Supplies and Equipment	4,693
Insurance	3,236
Purchase and Contract Services	119,439
Utilities	9,304
Westlaw	49,661
Travel, Dues and Meetings	2,452
Payroll Tax Adjustment	586
Miscellaneous	27,859
Total Cash Disbursements	658,839
Total Cash Receipts (Under) Cash Disbursements	(14,271)
<b>Other Financing (Disbursements):</b>	
Refunds to Relative Income Sources	(37,892)
Remittance to Retained Funds	(4,210)
Total Other Financing (Disbursements)	(42,102)
(Deficiency) of Cash Receipts (Under) Cash Disbursements and Other Financing Disbursements	(56,373)
Public Fund Cash Balances, January 1	620,500
<b>Public Fund Cash Balances, December 31</b>	<b>\$564,127</b>

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

**LORAIN LAW LIBRARY ASSOCIATION  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Lorain Law Library Association, Lorain County, Ohio, (the Library) is directed by a board of five trustees who are appointed by members of the Lorain 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 law books; 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 Lorain County Commissioners are required by ORC Section 3375.49 to provide adequate facilities for the Library. The County Commissioners are required to provide suitable bookcases, heating and lighting for the rooms.

The Board of Trustees hires a librarian and not more than two assistant law librarians. The Judges of the Court of Common Pleas of Lorain 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. 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.

**LORAIN LAW LIBRARY ASSOCIATION  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(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.

U.S. Treasury Bills 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 fund into the following type:

**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.

**F. Refund to Relative Income Sources**

If certain conditions are met, the Library is required to refund at least ninety percent of any *unencumbered* balance to political subdivisions that provided revenues to the Library. See Footnote 2 for additional information.

**2. CALCULATION OF REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED**

In any year that revenues exceed disbursements, the Library refunds at least ninety percent of the *unencumbered* balance to the political subdivisions who provided the funds and retains the remaining amount. This refund process is referred to as the application of ORC 3375.56 or refund to relative income sources. The following chart presents the refunded and retained amounts during 2002 based on unencumbered balances at December 31, 2001:

<b><i>Unencumbered</i> Balance at December 31, 2001 Refunded and Retained During Calendar Year 2002</b>	
Unencumbered Balance at December 31, 2001	\$ 42,101
Refunded to Relative Sources during 2002	\$ 37,891
Retained Funds Amount during 2002	\$ 4,210

The Library did not have any unencumbered balances at December 31, 2003 and December 31, 2002, that were required to be refunded to relative sources.

**LORAIN LAW LIBRARY ASSOCIATION  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

The Library maintains a cash and investments pool used by its fund. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$61,406	\$70,338
Savings Accounts	\$4,696	\$4,735
Total deposits	<u>66,102</u>	<u>75,073</u>
U.S. Treasury Bills	171,575	171,119
Index Money Market	320,074	317,935
Total investments	<u>491,649</u>	<u>489,054</u>
Total deposits and investments	<u>\$557,751</u>	<u>\$564,127</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 Bills 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.

**4. RETIREMENT SYSTEMS**

The Library's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Library has paid all contributions required through December 31, 2003.

**5. RISK MANAGEMENT**

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

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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## **Auditor of State Betty Montgomery**

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

Board of Trustees  
Lorain Law Library Association  
Lorain County  
226 Middle Avenue  
Elyria, Ohio 44035

We have audited the financial statements of the Lorain Law Library Association, Lorain County, Ohio, (the Library) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated March 2, 2004, wherein we indicated the financial statements only include the General Fund. We conducted our audits 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2003-001.

#### **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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated March 2, 2004.

Lorain Law Library Association  
Lorain County  
Independent Accountants' Report 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.

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**Betty Montgomery**  
Auditor of State

March 2, 2004

**LORAIN LAW LIBRARY ASSOCIATION  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2003-001</b>
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**Noncompliance Citation**

**Ohio Rev. Code Section 135.14(O)(1)** \* states that investments or deposits under Section 135.14 cannot be made unless a written investment policy approved by the treasurer or governing board is on file with the Auditor of State, with the following two exceptions:

- If a written investment policy is not filed with the Auditor of State, the treasurer or governing board is permitted to invest only in interim deposits, STAR Ohio, or no-load money market mutual funds pursuant to Section 135.14(O)(2).
- A subdivision whose average annual portfolio of investments is \$100,000 or less is not required to file an investment policy, provided that the treasurer or governing board certifies to the Auditor of State that the treasurer or governing board will comply and is in compliance with the provisions of Section 135.01 to 135.21 pursuant to Section 135.14(O)(3).

According to Section 135.14(O)(1), the investment policy must be signed by:

- All entities conducting investment business with the treasurer or governing board;
- All brokers, dealers, and financial institutions, described in Section 135.14(M) (1), initiating transactions with the treasurer or governing board by giving advice or making investment recommendations;
- All brokers, dealers, and financial institutions, described in Section 135.14(M) (1), executing transactions initiated by the treasurer or governing board.

The Library has a formal investment policy which has not been acknowledged (as signed) by the banks or other financial institutions with which the Library invests public funds. This weakness may cause the banks or other financial institutions to invest the Library's public funds in investments prohibited by state law. We recommend that the Library require the banks and other financial institutions with which the Library invests public funds to acknowledge their understanding and agreement with the Library's investment policy. The signed investment policies should be retained by the Library as evidence of the financial institutions acknowledgment of their understanding and agreement with the Library's investment policy.

We reported a similar matter in the management letter of the December 31, 2001 and December 31, 2000 audits of the financial statements.

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**Auditor of State  
Betty Montgomery**

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**LORAIN LAW LIBRARY ASSOCIATION**

**LORAIN 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  
MAY 4, 2004**