



**LAW LIBRARY ASSOCIATION  
ALLEN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001-2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



LAW LIBRARY ASSOCIATION  
ALLEN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants .....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances – All Funds – For the Year Ended December 31, 2001 .....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances – All Funds – For the Year Ended December 31, 2000 .....	4
Notes to the Financial Statements .....	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9
Schedule of Findings .....	11

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## REPORT OF INDEPENDENT ACCOUNTANTS

Law Library Association  
Allen County  
3233 Spencerville Road  
Lima, OH 45805

To the Board of Trustees:

We have audited the accompanying financial statements of the Law Library Association, 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 fund cash balances 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.

As discussed in Note 2, the Library has included activity associated with the Retained Monies Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 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 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

October 8, 2002

**LAW LIBRARY ASSOCIATION  
ALLEN COUNTY**

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

	<b>General Fund</b>	<b>Retained Monies Fund</b>	<b>Private Monies Fund</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>				
Fine and Forfeitures	\$267,816			\$267,816
Interest		\$1,801	\$676	2,477
Miscellaneous Receipts			325	325
<b>Total Cash Receipts</b>	<b>267,816</b>	<b>1,801</b>	<b>1,001</b>	<b>270,618</b>
<b>Cash Disbursements:</b>				
Payroll Expenses	22,885			22,885
Legal Publications	225,778			225,778
Refunds to Relative Income Sources - See Note 3	106,411			106,411
Supplies	65			65
Other Expenses	4,783		150	4,933
<b>Total Cash Disbursements</b>	<b>359,922</b>		<b>150</b>	<b>360,072</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(92,106)</b>	<b>1,801</b>	<b>851</b>	<b>(89,454)</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Remittance to Retained Funds	(12,292)	12,292		
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(12,292)</b>	<b>12,292</b>		
<b>Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(104,398)</b>	<b>14,093</b>	<b>851</b>	<b>(89,454)</b>
<b>Fund Cash Balances, January 1</b>	<b>122,917</b>	<b>77,718</b>	<b>23,555</b>	<b>224,190</b>
<b>Fund Cash Balances, December 31</b>	<b>\$18,519</b>	<b>\$91,811</b>	<b>\$24,406</b>	<b>\$134,736</b>

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

**LAW LIBRARY ASSOCIATION  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Private Monies Fund</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Fine and Forfeitures	\$354,032			\$354,032
Interest		\$2,667	\$864	3,531
Miscellaneous Receipts			366	366
Total Cash Receipts	<u>354,032</u>	<u>2,667</u>	<u>1,230</u>	<u>357,929</u>
<b>Cash Disbursements:</b>				
Payroll Expenses	22,565			22,565
Legal Publications	196,526			196,526
Refunds to Relative Income Sources - See Note 3	38,434			38,434
Supplies	885			885
Equipment	3,469			3,469
Other Expenses	7,670			7,670
Total Cash Disbursements	<u>269,549</u>			<u>269,549</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>84,483</u>	<u>2,667</u>	<u>1,230</u>	<u>88,380</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Remittance to Retained Funds	(4,271)	4,271		
Total Other Financing Receipts/(Disbursements)	<u>(4,271)</u>	<u>4,271</u>		
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	80,212	2,667	1,230	84,109
Fund Cash Balances, January 1 - See Note 2	<u>42,705</u>	<u>75,051</u>	<u>22,325</u>	<u>140,081</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$122,917</u></b>	<b><u>\$77,718</u></b>	<b><u>\$23,555</u></b>	<b><u>\$224,190</u></b>

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



**LAW LIBRARY ASSOCIATION  
ALLEN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Allen County Law Library (the Library) is directed by a board of five trustees who are elected every four years by members of the Allen 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 Allen 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 may hire a librarian and not more than two assistant law librarians. The Judges of the Court of Common Pleas of Allen 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. Although the Law Library provides free access, the assistant librarians were paid with Law Library funds for this audit period.

The Library's management believes these financial statements present all funds for which the Library is financially accountable. The accompanying financial statements also include private monies, see note 1D.

**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 included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Interest income at the time of maturity is recorded as a receipt.

Certificates of deposit are valued at cost.

**LAW LIBRARY ASSOCIATION  
ALLEN COUNTY**

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

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

**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. Retained Monies Fund**

Retained Monies Fund consists of monies retained by the Library under Ohio Revised Code § 3375.56. At the end of each calendar year the Library is permitted under law to retain up to ten percent of their unencumbered balance. See footnote 2 for additional information.

**3. Private Monies**

Some funds the Library receives are considered private monies. Private monies include: donations and photocopying charges. Fees collected for the use of copiers remain private even though the copiers may have been purchased with public funds. The Library can disburse private monies at its discretion.

**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 3 for additional information.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with the basis of accounting described above. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**LAW LIBRARY ASSOCIATION  
ALLEN COUNTY**

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

**2. ACCOUNTING CHANGE**

Prior to January 1, 2000, the retained monies fund was not disclosed by the Library. Effective January 1, 2000, the Library determined the amounts relating to their Retained Monies Fund by providing the bank statements to support monies in their private funds, and determining the balance of refunds to be issued to leave as the balance in their general fund, with the remainder to support the balance of their retained monies fund.

**3. 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 charts present the refunded and retained amounts during 2001 and 2000.

***Unencumbered* Balance at December 31, 2000  
Refunded and Retained During Calendar Year 2001**

Unencumbered Balance at December 31, 2000	\$ 122,917
Refunded to Relative Sources during 2001	106,411
Miscalculation to be Refunded in 2002	<u>4,214</u>
Retained Funds Amount during 2001	<u>\$ 12,292</u>

***Unencumbered* Balance at December 31, 1999  
Refunded and Retained During Calendar Year 2000**

Unencumbered Balance at December 31, 1999	\$42,705
Refunded to Relative Sources during 2000	<u>38,434</u>
Retained Funds Amount during 2000	<u>\$ 4,271</u>

**4. 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:

	<b>2001</b>	<b>2000</b>
Checking Account	\$ 19,041	\$146,147
Business Money Market Account	10,214	9,760
Savings Accounts	19,055	68,283
Certificates of deposit	<u>86,426</u>	<u>-</u>
Total deposits	<u>\$ 134,736</u>	<u>\$224,190</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation in the amount of \$100,000. Amounts in excess of the \$100,000, were uninsured and uncollateralized.

**LAW LIBRARY ASSOCIATION  
ALLEN COUNTY**

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

**5. 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 post retirement 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. PERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13 percent, effective July 1, 2000. The contribution rate returned to 13.55 percent as of January 1, 2001. The Library has paid all contributions required through December 31, 2001.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Allen County Law Library Association has obtained commercial insurance for loss on contents due to fire from American States Insurance Company and from Westfield Companies for coverage of the data processing equipment.

Real property is insured through the Allen County Commissioners.



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

Law Library Association  
Allen County  
3233 Spencerville Road  
Lima, Ohio 45805

To the Board of Trustees:

We have audited the accompanying financial statements of the Allen County Law Library Association (the Library) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated October 8, 2002, wherein we noted the Library has included the retained monies fund for the first time. 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 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 2001-60202-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated October 8, 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. 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. The reportable condition is described in the accompanying schedule of findings as item 2001-60202-002.

**Internal Control Over Financial Reporting  
(Continued)**

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. However, we believe the reportable condition described above is not 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 October 8, 2002.

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

October 8, 2002

**LAW LIBRARY ASSOCIATION  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

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

**FINDING NUMBER 2001-60202-001**

**Refund Distributions**

**Ohio Rev Code Section 3375.56**, states the Board of Trustees of the Law Library Association shall make a detailed statement to the county auditor of the amount of the fines and penalties received under Sections 3375.50 through 3375.53, Revised Code, inclusive, and the money expended by the Association. If the total amount received under such sections during the preceding calendar year exceeds expenditures during the same time period, the auditor shall certify such fact to the board which shall direct the treasurer of the association to refund proportionately to the political subdivisions from which the balance was received, not less than ninety percent of any unencumbered balance on hand from the preceding year.

The statement certified to the County Auditor included overstated expenditures which resulted in decreasing the amount calculated to be returned to the subdivisions. In addition, the County Auditor used revenue from all sources rather than only the court fine revenue to calculate the refunds, which resulted in an increase in the amount calculated to be returned to the subdivisions. The net effect of the calculation errors is indicated below:

	<b>2001</b>		<b>2000</b>	
	<b>As Certified</b>	<b>As Adjusted</b>	<b>As Certified</b>	<b>As Adjusted</b>
Revenue From Fines	\$ 270,064	\$ 267,816	\$ 357,705	\$ 354,032
Eligible Expenditures	<u>(262,356)</u>	<u>(253,512)</u>	<u>(239,471)</u>	<u>(231,115)</u>
Refund to be Distributed	7,708	14,304	118,234	122,917
Less 10% to Law Library	(771)	(1,430)	(11,823)	(12,292)
Refund Distributed	<u>(6,937)</u>	<u>(6,937)</u>	<u>(106,411)</u>	<u>(106,411)</u>
Variance	<u>\$ -</u>	<u>\$ 5,937</u>	<u>\$ -</u>	<u>\$ 4,214</u>

Due to the calculation errors, the variance in the excess of revenues over expenditures should be returned to the subdivisions as indicated below:

	<b>2001</b>	<b>2000</b>	<b>Total</b>
Lima Municipal Court	\$4,075	\$2,950	\$7,025
City of Lima	1,688	1,175	2,863
Allen County Clerk of Courts	41	12	53
Allen County Juvenile Court	133	77	210
	<u>\$5,937</u>	<u>\$4,214</u>	<u>\$10,151</u>

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money due but uncollected is hereby issued against the Allen County Law Library Association in the amount of \$10,151, and in favor of the Lima Municipal Court (to be refunded to the political subdivisions from which the money was received) in the amount of \$7,025, City of Lima in the amount of \$2,863, Allen County Clerk of Courts (to be refunded to the political subdivisions from which the money was received) in the amount of \$53 and the Allen County Juvenile Court (to be refunded to the political subdivisions from which the money was received) in the amount of \$210.

**FINDING NUMBER 2001-60202-002**

**Collateralization of Funds on Deposit**

The Law Library maintains four separate bank accounts, all within the same bank. Accounts held by an entity, but designated for different purposes, are not separately federally insured. Therefore, amounts on deposit in excess of the \$100,000 Federal Depository Insurance were not secured by additional collateral, thus placing the funds of the Library at risk should the bank encounter unforeseen circumstances. Significant amounts were not collateralized throughout the two years of the audit period, and at December 31, 2001 and 2000, the amounts of \$34,987 and \$124,838, respectively, were not collateralized.

The officials should contact the banking institution regarding the pledging of additional securities to secure the funds on deposit, or the Library funds should be deposited among the local banks so that no one bank holds in excess of \$100,000. Ohio Revised Code Sections 135.18 and 135.181 may be referenced for information regarding the pledging of additional securities.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**ALLEN COUNTY LAW LIBRARY ASSOCIATION**

**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 7, 2002**