



**MEDINA COUNTY LAW LIBRARY ASSOCIATION
MEDINA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005-2004



**Auditor of State
Betty Montgomery**

**MEDINA COUNTY LAW LIBRARY ASSOCIATION
MEDINA COUNTY**

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**Auditor of State
Betty Montgomery**

Medina County Law Library Association
Medina County
93 Public Square
Medina, Ohio 44256

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Library 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 20, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Medina County Law Library Association
Medina County
93 Public Square
Medina, Ohio 44256

To the Board of Trustees:

We have audited the accompanying financial statements of General Fund and the Retained Monies Fund of the Medina County Law Library Association, Medina 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 that our audit provides a reasonable basis for our opinion.

The financial statements present only the General Fund and the Retained Monies Fund and do not intend to present fairly the financial position or results of operations of all the Library funds.

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 for 2005 and 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 this 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.

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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 its changes in financial position for the years then ended.

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Library's General Fund and the Retained Monies Fund as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 Library 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 July 20, 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.



Betty Montgomery
Auditor of State

July 20, 2006

**MEDINA COUNTY LAW LIBRARY ASSOCIATION
MEDINA COUNTY**

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

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$504,141		\$504,141
Interest	1,561	\$1,439	3,000
Miscellaneous Receipts	1,160		1,160
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	506,862	1,439	508,301
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Salaries and Benefits	51,667		51,667
Supplies and Materials	335,295		335,295
Purchased Services	85,162		85,162
Refunds to Relative Income Sources - See Note 2	44,666		44,666
Equipment	897		897
Miscellaneous	2,320		2,320
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	520,007		520,007
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(13,145)	1,439	(11,706)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(4,963)		(4,963)
Remittance from General Fund		4,963	4,963
Refunds from Vendors	742		742
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(4,221)	4,963	742
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(17,366)	6,402	(10,964)
	<hr/>	<hr/>	<hr/>
Public Fund Cash Balances, January 1	72,168	52,480	124,648
	<hr/>	<hr/>	<hr/>
Public Fund Cash Balances, December 31	\$54,802	\$58,882	\$113,684
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$21,658	\$0	\$21,658
	<hr/>	<hr/>	<hr/>

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

**MEDINA COUNTY LAW LIBRARY ASSOCIATION
MEDINA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PUBLIC FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
Cash Receipts:			
Fine and Forfeitures	\$530,477		\$530,477
Interest	355	\$144	499
Miscellaneous Receipts	1,252		1,252
Total Cash Receipts	<u>532,084</u>	<u>144</u>	<u>532,228</u>
Cash Disbursements:			
Salaries and Benefits	54,624		54,624
Supplies and Materials	341,282		341,282
Purchased Services	82,752		82,752
Refunds to Relative Income Sources - See Note 2	33,833		33,833
Equipment	5,031		5,031
Miscellaneous	3,009		3,009
Total Cash Disbursements	<u>520,531</u>		<u>520,531</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>11,553</u>	<u>144</u>	<u>11,697</u>
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(3,759)		(3,759)
Remittance from General Fund		3,759	3,759
Refunds from Vendors	4,655		4,655
Total Other Financing Receipts/(Disbursements)	<u>896</u>	<u>3,759</u>	<u>4,655</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	12,449	3,903	16,352
Public Fund Cash Balances, January 1	59,719	48,577	108,296
Public Fund Cash Balances, December 31	<u>\$72,168</u>	<u>\$52,480</u>	<u>\$124,648</u>
Reserves for Encumbrances, December 31	<u>\$22,539</u>	<u>\$0</u>	<u>\$22,539</u>

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

**MEDINA COUNTY LAW LIBRARY ASSOCIATION
MEDINA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Medina County Law Library Association (the Library) is governed by a board of five trustees. Members of the Medina County Bar Association annually elect the board members. The Library provides access to 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) §§ 3375.50 to .53, inclusive. ORC § 3375.54 authorizes the Library to disburse funds to purchase, lease or rent 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.

ORC §3375.49 requires the Medina County Commissioners to provide adequate facilities for the Library, including suitable bookcases, heating and lighting for the rooms.

The Board of Trustees elect a librarian and not more than two assistant law librarians. The Judges of the Court of Common Pleas of Medina County fix these librarians' compensation pursuant to ORC § 3375.48. If the Library provides free access to all county officers and the judges of the several courts, the County treasury pays the librarians' salary. If the Library does not provide free access, the Library must pay the librarians' salary.

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

The Library deems some funds it receives as private monies. Private monies include: membership dues, overdue book charges, and photocopying charges. Fees the Library collects for the use of books and copiers remain private even though the books and copiers may have been purchased with public funds. The Library need not comply with ORC § 3375.54 when disbursing private money. The accompanying financial statements do not present private monies.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. The Reserve for Encumbrances on the financial statement represents the Library's commitments for purchases. The Library recognizes encumbrances when it commits funds.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**MEDINA COUNTY LAW LIBRARY ASSOCIATION
MEDINA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

The Library's accounting basis includes investments as assets. Accordingly, this basis does not record disbursements for investment purchases or receipts for investment sales. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Library values certificates of deposit 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 accounts for all financial resources except those required to be accounted for in another fund.

2. Retained Monies Fund

Retained Monies Fund reports funds the Library retains under ORC § 3375.56. At the end of each calendar year the Library may retain up to ten percent of their unencumbered balance. See footnote 2 for additional information.

E. Budgetary Process

The Ohio Revised Code does not require the Library to budget annually. However, under ORC § 3375.56 the Library may encumber funds equal to their commitments outstanding at year end. Encumbrances outstanding at year end are carried over to the subsequent year.

F. Property, Plant, and Equipment

The Library records disbursements for equipment acquisitions when paid. The accompanying financial statements do not report these items as assets. The Library deems computers, copiers, fax machines, and other items related toward facilitating the use of equipment as equipment.

G. Refund to Relative Income Sources

If certain conditions are met, ORC § 3375.56 requires the Library 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.

**MEDINA COUNTY LAW LIBRARY ASSOCIATION
MEDINA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned (Memorandum Only) to indicate 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 Library's accounting basis. Neither is such data comparable to a consolidation. The Library does not eliminate interfund transactions when aggregating this data.

2. REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED

Pursuant to Ohio Revised Code § 3375.56, in any year that receipts exceed disbursements, the Library is required to refund at least ninety percent of the unencumbered balance to the political subdivisions who provided the funds and retains the remainder. The following tables present the refunded and retained amounts during 2005 and 2004.

Unencumbered Balance at December 31, 2004 Refunded and Retained During Calendar Year 2005	
Unencumbered Balance at December 31, 2004	\$49,629
Refunded to Relative Sources	44,666
Retained Funds Amount During 2005	\$4,963

Unencumbered Balance at December 31, 2003 Refunded and Retained During Calendar Year 2004	
Unencumbered Balance at December 31, 2003	\$37,592
Refunded to Relative Sources	33,833
Retained Funds Amount During 2004	\$3,759

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2005	2004
Demand Deposits	\$4,802	\$22,085
Savings Accounts	58,882	52,479
Certificates of Deposit	50,000	50,084
Total Deposits	\$113,684	\$124,648

Deposits: Deposits are insured by the Federal Depository Insurance Corporation

**MEDINA COUNTY LAW LIBRARY ASSOCIATION
MEDINA COUNTY**

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

4. RISK MANAGEMENT

Commercial Insurance

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

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Medina County Law Library Association
Medina County
93 Public Square
Medina, Ohio 44256

To the Board of Trustees:

We have audited the financial statements of the Medina County Law Library Association, Medina County, Ohio, (the Library) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 20, 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 also disclosed the financial statements include only the General Fund and the Retained Monies Fund. 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 to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. A Reportable condition is described in the accompanying Schedule of Findings as item 2005-001.

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 material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Library's management dated July 20, 2006, we reported another matter involving internal control over financial reporting which we did not deem a reportable condition.

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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for 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

July 20, 2006

**MEDINA COUNTY LAW LIBRARY ASSOCIATION
MEDINA 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

Reportable Condition

Cash Reconciliations

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. Bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records at a specific point in time.

During the audit period, the Law Library did not reconcile the balance of the bank and check book to the Quickbook's Balance Sheet. At December 31, 2005, an unreconciled difference of \$9,915 existed between the Quickbooks Balance Sheet and bank reconciliation and check register. This difference was subsequently reconciled.

Without complete and accurate monthly bank reconciliations, the Law Library's internal control is significantly weakened which could hinder the timely detection of errors or irregularities by management. The Law Library should perform complete monthly bank reconciliations in a timely manner. Also, a hard copy of monthly bank reconciliation and the listing of outstanding checks should be provided to the Board of Trustees for review. All unreconciled differences should be resolved as quickly as possible so they are not carried forward from month-to-month. All reconciling matters should be appropriately documented.

Officials' Response: Management agrees with the Finding.



**Auditor of State
Betty Montgomery**

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LAW LIBRARY ASSOCIATION

MEDINA 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 12, 2006**