



**Auditor of State
Betty Montgomery**

**SANDUSKY LAW LIBRARY ASSOCIATION
SANDUSKY COUNTY**

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**Auditor of State
Betty Montgomery**

Sandusky Law Library Association
Sandusky County
323 High Street, Suite 2
Fremont, Ohio 43420-2995

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 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. 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

August 1, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Sandusky Law Library Association
Sandusky County
323 High Street, Suite 2
Fremont, Ohio 43420-2995

To the Board of Trustees:

We have audited the accompanying financial statements of the Sandusky Law Library Association, Sandusky County, (the Law Library) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Law 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 Law 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 Law Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Law 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 Law

Library has elected not to reformat its statements. Since this Law 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 year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Law Library as of December 31, 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 of the Sandusky Law Library Association, Sandusky County, as of December 31, 2004 and 2003, 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 Law Library to include Management's Discussion and Analysis for the year ended December 31, 2004. The Law 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 August 1, 2005, on our consideration of the Law Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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

August 1, 2005

**SANDUSKY LAW LIBRARY ASSOCIATION
SANDUSKY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGE IN CASH BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General Fund</u>
Cash Receipts:	
Fine and Forfeitures	\$254,930
Photo Copies	4,623
Legal Research	641
Court Rules	130
Interest	1,401
Miscellaneous Receipts	660
	<hr/>
Total Cash Receipts	262,385
	<hr/>
Cash Disbursements:	
Salaries and Benefits	41,133
Supplies and Materials	2,407
Taxes	6,572
Books	140,945
Legal Research	78,919
Equipment	8,686
Internet Services	1,130
Technical Support	12,000
Miscellaneous	2,923
	<hr/>
Total Cash Disbursements	294,715
	<hr/>
Total Cash Disbursements Over Cash Receipts	(32,330)
	<hr/>
Other Financing Receipts:	
Refund from Prior Year Expenditure	41,039
Refunds from Vendors	428
	<hr/>
Total Other Financing Receipts	41,467
	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	9,137
	<hr/>
Cash Balance, January 1	133,277
	<hr/>
Cash Balance, December 31	<u><u>\$142,414</u></u>

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

**SANDUSKY LAW LIBRARY ASSOCIATION
SANDUSKY COUNTY**

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

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$301,024		\$301,024
Photo Copies	3,330		3,330
Legal Research	1,257		1,257
Interest	1,720		1,720
Miscellaneous Receipts	1,002		1,002
	<u>308,333</u>		<u>308,333</u>
Cash Disbursements:			
Salaries and Benefits	41,283		41,283
Supplies and Materials	2,411		2,411
Taxes	4,956		4,956
Books	179,967	\$885	180,852
Insurance	1,672		1,672
Legal Research	69,082		69,082
Refunds to Relative Income Sources - See Note 2	7,966		7,966
Equipment	4,431		4,431
Internet Services	4,670		4,670
Miscellaneous	6,553		6,553
	<u>322,991</u>	<u>885</u>	<u>323,876</u>
Total Cash Disbursements Over Cash Receipts	<u>(14,658)</u>	<u>(885)</u>	<u>(15,543)</u>
Other Financing Receipts:			
Remittance to Retained Funds		885	885
Refunds from Vendors	3,509		3,509
	<u>3,509</u>	<u>885</u>	<u>4,394</u>
Excess of Cash Disbursements Over Cash Receipts and Other Financing Receipts	(11,149)		(11,149)
Fund Cash Balances, January 1	<u>144,426</u>		<u>144,426</u>
Fund Cash Balances, December 31	<u>\$133,277</u>		<u>\$133,277</u>

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

**SANDUSKY LAW LIBRARY ASSOCIATION
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Sandusky Law Library Association (the Law Library) is governed by a board of five trustees. Members of the Sandusky County Bar Association elect the board members bi-annually. The Law Library provides access to all county officers and the judges of the several courts within the county.

The Law 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 Law Library to disburse funds to purchase, lease or rent 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.

ORC §3375.49 requires the Sandusky County Commissioners to provide adequate facilities for the Law Library, including 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 Sandusky County fix these librarians' compensation pursuant to ORC § 3375.48. If the Law Library provides free access to all county officers and the judges of the several courts, the County treasury pays the librarians' salary. If the Law Library does not provide free access, the Law Library must pay the librarians' salary.

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

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 Law Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

C. Fund Accounting

The Law Library uses fund accounting to segregate cash that is restricted as to use. The Law 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.

**SANDUSKY LAW LIBRARY ASSOCIATION
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. Retained Monies Fund

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

3. Private Monies

Private monies include membership dues, overdue book charges, and photocopying charges. Fees collected for book and copier usage remain private even though the books and copiers may have been purchased with public funds. The Law Library can disburse private monies at its discretion. Private monies are included in the General Fund.

D. Property, Plant, and Equipment

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

E. Refund to Relative Income Sources

If certain conditions are met, Ohio Revised Code § 3375.56 requires the Law Library to refund at least ninety percent of any *unencumbered* balance to political subdivisions that provided revenues to the Law Library. See Footnote 2 for additional information.

F. 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 Law Library's accounting basis. Neither is such data comparable to a consolidation. The Law Library does not eliminate interfund transactions when aggregating this data.

2. REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED

In any year that receipts exceed disbursements, the Law Library refunds at least ninety percent of the balance to the political subdivisions who provided the funds and retains the remainder. Ohio Revised Code § 3375.56 requires this "refund to relative income sources." The following tables present the refunded and retained amounts during 2003.

Unencumbered Balance at December 31, 2002	
Refunded and Retained During Calendar Year 2003	
Unencumbered Balance at December 31, 2002	\$8,851
Refunded to Relative Sources during 2003	<u>7,966</u>
Retained Funds Amount during 2003	<u><u>\$885</u></u>

**SANDUSKY LAW LIBRARY ASSOCIATION
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. EQUITY IN POOLED CASH

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

	<u>2004</u>	<u>2003</u>
Demand deposits	<u>\$142,414</u>	<u>\$133,277</u>

Deposits are insured by the Federal Depository Insurance Corporation or insured by the National Credit Union Administration.

4. RISK MANAGEMENT

Commercial Insurance

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

- Commercial property and general liability and
- Commercial Inland Marine

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**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***

Sandusky Law Library Association
Sandusky County
323 High Street, Suite 2
Fremont, Ohio 43420-2995

To the Board of Trustees:

We have audited the financial statements of the Sandusky Law Library Association, Sandusky County, (the Law Library) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 1, 2005, wherein we noted the Law 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 Law 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Law Library's management dated August 1, 2005, we reported matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Law 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

Sandusky Law Library Association
Sandusky County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Law Library's management dated August 1, 2005, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 1, 2005

**SANDUSKY LAW LIBRARY ASSOCIATION
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Finding for Recovery

Ohio Revised Code § 3375.48 provides that the compensation of a law librarian and not more than two assistants shall be paid from the county treasury.

On December 1, 2002, the Law Library Board approved to pay the law library employees' salaries and benefits. The Board also appointed the librarian as Law Library Supervisor. The Law Library Association paid salaries and benefits in the amount of \$82,297 as follows:

<u>Name</u>	<u>Position</u>	<u>Amount Paid</u>
Sharon L. Hintze	Law Library Supervisor	\$74,640
Marcia L. Dohanos	Assistant to Supervisor	<u>7,657</u>
Total		<u><u>\$82,297</u></u>

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against Sandusky County in the amount of \$82,297, and in favor of the Sandusky County Law Library Association General Fund, in the amount of \$82,297.

This matter will be referred to the Sandusky County Prosecutor and the Ohio Office of the Attorney General for whatever action is deemed appropriate.

FINDING NUMBER 2004-002

Finding for Recovery

Ohio Revised Code § 3375.48 provides that the compensation of a law librarian and not more than two assistants shall be paid from the county treasury.

Ohio Revised Code § 3375.54 provides that the money that is paid to the board of trustees of a law library association (LLA) under §§ 3375.50 to 3375.53 of the Revised Code shall be expended in the support and operation of the law library association and in the purchase, lease, or rental of law books, a computer communications console that is a means of access to a system of computerized legal research, microform 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.

**FINDING NUMBER 2004-002
(Continued)**

Several Ohio Attorney General Opinions have addressed this issue. The universal conclusion is that an expenditure of funds by an LLA pursuant to ORC § 3375.54 is proper only if it is an expenditure that is not specified to be paid pursuant to ORC § 3375.48. See *e.g.*, OAG Opinion 88-104. The compensation of the law librarian is expressly provided for in Ohio Revised Code § 3375.48 and thus may not be paid under Ohio Revised Code § 3375.54 but must be paid from the county treasury. Furthermore, Auditor of State Bulletin 2004-007 states that if an LLA pays for items the county should provide per Ohio Revised Code § 3375.49, or pays salaries contrary to Ohio Revised Code § 3375.48, the Auditor of State will issue Findings for Recovery against the LLA.

Ohio Revised Code § 3375.56 states that on the first Monday of each year, the board of trustees of the law library association shall make a detailed statement to the county auditor, verified by the oath of the treasurer of the association, of the amount of the fines and penalties received under §§ 3375.50 to 3375.53, inclusive of the Revised Code, and of the money expended by the association.

If the total amount received under such sections during the preceding calendar year covered by such report exceeds the expenditures during the same period, the auditor shall certify such fact to the board which shall thereupon direct the treasurer of the association to refund proportionately to the treasurers of the political subdivisions from which such balance was received, not less than ninety percent of any unencumbered balance on hand from the preceding year.

Had the monies not been spent as noted in finding 2004-001 (i.e. the LLA should not have paid the salaries of the Law Librarian and the Assistant), the money would have been refunded to the appropriate entities. The calculation of the excess of current revenues over current disbursements, the amount of \$30,982 is to be refunded as follows:

<u>Income Sources</u>	<u>Amount to be Refunded</u>
Sandusky County	\$21,421
The City of Fremont	8,854
The City of Bellevue	707
Total Refund	<u>\$30,982</u>

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Sandusky County Law Library Association in the amount of \$30,982, and in favor of the Sandusky County Treasury in the amount of \$21,421; the City of Fremont in the amount of \$8,854; and the City of Bellevue in the amount of \$707.

This matter will be referred to the Sandusky County Prosecutor and the Ohio Office of the Attorney General for whatever action is deemed appropriate.



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

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SANDUSKY LAW LIBRARY ASSOCIATION

SANDUSKY 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
AUGUST 30, 2005**