



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BROWN COUNTY LAW LIBRARY ASSOCIATION
BROWN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Brown County Law Library
Brown County
P.O. Box 179
Georgetown, Ohio 45121

To the Board of Trustees:

We have audited the accompanying financial statements of the Brown County Law Library Association, Brown County, Ohio (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.

Except as discussed in the following paragraph, 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.

The Library did not provide sufficient evidence to support the reserve for encumbrances amount reported on the financial statements for 2000. Without this evidential matter, we were unable to audit the aforementioned reserve for encumbrances or to satisfy ourselves regarding the validity of the underlying transactions by means of other auditing procedures.

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, except for such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amounts recorded as reserve for encumbrances for the year ending December 31, 2000, 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 reserve for encumbrances of the Library as of December 31, 2001, and its combined cash receipts and disbursements for the years ended December 31, 2001 and 2000 on the basis of accounting described in Note 1.

As discussed in Note 3, the Library has included activity associated with the retained monies fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 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

September 30, 2002

**BROWN COUNTY LAW LIBRARY ASSOCIATION
BROWN COUNTY**

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

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
Cash Receipts:			
Fine and Forfeitures	\$83,702	\$0	\$83,702
Interest		335	335
Miscellaneous Receipts	578		578
Total Cash Receipts	84,280	335	84,615
Cash Disbursements:			
Salaries and Benefits	850		850
Library Material	79,445		79,445
Refunds to Relative Income Sources - See Note 2	4,255		4,255
Other Expenses	965		965
Total Cash Disbursements	85,515	0	85,515
Total Cash Receipts Over/(Under) Cash Disbursements	(1,235)	335	(900)
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(473)	473	0
Total Other Financing Receipts/(Disbursements)	(473)	473	0
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(1,708)	808	(900)
Fund Cash Balances, January 1	7,699	745	8,444
Fund Cash Balances, December 31	\$5,991	\$1,553	\$7,544
Reserves for Encumbrances, December 31	\$1,991	\$0	\$1,991

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

**BROWN COUNTY LAW LIBRARY ASSOCIATION
BROWN COUNTY**

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

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
Cash Receipts:			
Fine and Forfeitures	\$108,881	\$0	\$108,881
Interest		232	232
Miscellaneous Receipts	504		504
Total Cash Receipts	109,385	232	109,617
Cash Disbursements:			
Salaries and Benefits	893		893
Library Material	97,645		97,645
Other Expenses	3,148		3,148
Total Cash Disbursements	101,686	0	101,686
Total Cash Receipts Over/(Under) Cash Disbursements	7,699	232	7,931
Fund Cash Balances, January 1 as restated (note 3)	0	513	513
Fund Cash Balances, December 31	\$7,699	\$745	\$8,444
Reserves for Encumbrances, December 31	\$1,796	\$0	\$1,796

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

**BROWN COUNTY LAW LIBRARY
BROWN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Brown County Law Library Association, Brown County, Ohio (the Library) is directed by a board of three trustees who are appointed by members of the Brown 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; CD ROM's, office supplies, and other services, materials, and equipment that provide legal information or facilitate legal research.

The Brown 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 Brown 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 funds for which the Library is financially accountable.

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. The Reserve for Encumbrances on the financial statement represents commitments for purchases the Library has made. Encumbrances are recognized when a commitment is made.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

The Library maintains an interest bearing checking account at a local financial institution for all of its deposits.

**BROWN COUNTY LAW LIBRARY ASSOCIATION
BROWN 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 account for revenues and expenditures of public funds.

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 and 3 for additional information.

E. Budgetary Process

The Library is not required to budget annually; however, under Ohio Revised Code Section 3375.56 the Library is permitted to encumber funds equal to their commitments outstanding at year end. Encumbrances outstanding at year end are carried over to the subsequent year. The Library did not provide sufficient evidence to support the reserve for encumbrance amount reported on the financial statements for 2000.

F. 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.

G. 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.

H. 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.

**BROWN COUNTY LAW LIBRARY ASSOCIATION
BROWN COUNTY**

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

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 as calculated by the Library for 2000. Contrary to Ohio Law the Law Library did not remit correct amounts to the County and Political Subdivisions for 2000 according to Ohio Revised Code Section 3375.56.

December 31, 2000 Balances Refunded and Retained During Calendar Year 2001	
Refunded to Relative Sources during 2001	4,255
Retained monies during 2001	473

3. 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 calculating the accumulated interest earned on the Library's interest bearing checking account that was previously included in the general fund. The effect of the restatement is as follows:

	General Fund	Retained Fund
January 1, 2000 fund balance	\$ 513	\$ 0
Restatement	(513)	513
Restated January 1, 2000 fund balance	\$ 0	\$ 513

4. EQUITY IN POOLED CASH AND DEPOSITS

The Library maintains a pool of deposits used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2001	2000
Demand Deposits	\$ <u>7,544</u>	\$ <u>8,444</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

5. COMPLIANCE

On January 29, 2001, the financial records of the Brown County Law Library, which were maintained at the Library's Clerks law office, were destroyed by fire. As a result the Brown County Law Library's records from the Library's inception through January 31, 2001, were destroyed. The encumbrances outstanding at December 31, 2000 could not be substantiated due to the lack of records.

**BROWN COUNTY LAW LIBRARY ASSOCIATION
BROWN COUNTY**

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

6. RISK MANAGEMENT

The Law Library carries commercial insurance for comprehensive property and general liability risks. In addition, the Law Library has insurance coverage for computer hardware and software.



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

Brown County Law Library Association
Brown County
P.O. Box 179
Georgetown, Ohio 45121

To the Board of Trustees:

We have audited the accompanying financial statements of the Brown County Law Library, Brown County, Ohio (the Library), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated September 30, 2002, which was qualified for the lack of sufficient evidence to support the reserve for encumbrances amount reported on the financial statements for 2000. We also noted the Library has included the retained monies fund for the first time. Except as discussed in the first sentence, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-60408-001 and 2001-60408-002.

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 2001-60408-003.

Brown County Law Library Association
Brown County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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 does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated September 30, 2002.

This report is intended solely for the information and use of 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 30, 2002

**BROWN COUNTY LAW LIBRARY ASSOCIATION
BROWN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-60408-001

Material Noncompliance

Ohio Rev. Code, Section 149.351, prohibits the destruction of public records, except as provided under law or rules adopted by the records commission. On January 29, 2001 a fire destroyed the records of the Brown County Law Library Association and a back up of the records were not maintained off site. As a result, all records for the library were destroyed from inception through January 31, 2001. We satisfied ourselves as to the financial statement amounts through outside sources except for the outstanding encumbrances as of December 31, 2000.

FINDING NUMBER 2001-60408-002

Material Noncompliance

Ohio Rev. Code, Section 3375.56, requires 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 of the money expended by the library. If the total amount received during the preceding year exceeds the expenditures during 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 treasurer's of the political subdivisions from which such balance was received, not less than ninety percent of any unencumbered balance on hand from preceding year. For 2000 the Library filed a statement with the county auditor in which expenditures plus encumbrances were incorrectly stated, which resulted in the incorrect amounts refunded to relative sources. We recommend the library determine the proper amount that should be refunded to the relative income sources and the amount that should be moved to the retained monies fund based on the unencumbered general fund balance.

FINDING NUMBER 2001-60408-003

Reportable Condition * – Reconciliations

Upon review of all the banks statements, monthly reconciliations were not always performed during the audit period. Without completing monthly bank reconciliations errors or irregularities pertaining to deposit and/or receipt transactions may not be detected in a timely manner. We recommend that a bank reconciliation be performed and documented each month. Additionally, we recommend the Board of Trustees review the reconciliation and document such review in the minutes.

* We also reported this matter in the management letter of our audit of the 1999 and 1998 financial statements.



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BROWN COUNTY LAW LIBRARY ASSOCIATION

BROWN 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**