



**Auditor of State
Betty Montgomery**

**LAW LIBRARY ASSOCIATION
VINTON COUNTY**

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**Auditor of State
Betty Montgomery**

Law Library Association
Vinton County
114 West Main Street
McArthur, Ohio 45651

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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

June 15, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Law Library Association
Vinton County
114 West Main Street
McArthur, Ohio 45651

To the Board of Trustees:

We have audited the accompanying financial statements of the Law Library Association, Vinton County, Ohio (the Association), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Association'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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Association 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 Association 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 presented for 2005 and 2004, the revisions require presenting entity wide statements for 2005 and 2004. While the Association 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 Association has elected not to reformat its statements. Since this Association 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 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 Association 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 Association as of December 31, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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

The aforementioned revision to generally accepted accounting principles also requires the Association to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Association 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 June 15, 2006, on our consideration of the Association'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

June 15, 2006

**LAW LIBRARY ASSOCIATION
VINTON COUNTY**

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

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
Cash Receipts:			
Fine and Forfeitures	\$45,965	\$0	\$45,965
Total Cash Receipts	45,965	0	45,965
Cash Disbursements:			
Books and Periodicals	35,623		35,623
Refunds to Relative Income Sources - See Note 2	2,162		2,162
Salaries and Fringes	3,623		3,623
Miscellaneous	899		899
Total Cash Disbursements	42,307	0	42,307
Total Cash Receipts Over/(Under) Cash Disbursements	3,658	0	3,658
Public Fund Cash Balances, January 1	2,162	2,237	4,399
Public Fund Cash Balances, December 31	<u>\$5,820</u>	<u>\$2,237</u>	<u>\$8,057</u>

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

**LAW LIBRARY ASSOCIATION
VINTON COUNTY**

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

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$36,452	\$0	\$36,452
Interest	8		8
Miscellaneous Receipts	27		27
Total Cash Receipts	<u>36,487</u>	<u>0</u>	<u>36,487</u>
Cash Disbursements:			
Books and Periodicals	32,641		32,641
Salaries and Fringes	3,400		3,400
Miscellaneous	446	2,116	2,562
Total Cash Disbursements	<u>36,487</u>	<u>2,116</u>	<u>38,603</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>0</u>	<u>(2,116)</u>	<u>(2,116)</u>
Public Fund Cash Balances, January 1	<u>2,162</u>	<u>4,353</u>	<u>6,515</u>
Public Fund Cash Balances, December 31	<u>\$2,162</u>	<u>\$2,237</u>	<u>\$4,399</u>
Reserves for Encumbrances, December 31	<u>\$2,162</u>	<u>\$0</u>	<u>\$2,162</u>

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

**LAW LIBRARY ASSOCIATION
VINTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Association 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 Association 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 Vinton 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 Vinton County fix these librarians' compensation pursuant to ORC § 3375.48. If the Association provides free access to all county officers and the judges of the several courts, the County treasury pays the librarians' salary. If the Association does not provide free access, the Association must pay the librarians' salary.

The Association's management believes these financial statements present all public funds for which the Association is financially accountable. The Association does not have any 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 Association 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 Association uses fund accounting to segregate cash and investments that are restricted as to use. The Association classifies its funds into the following types:

**LAW LIBRARY ASSOCIATION
VINTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 Association retains under Ohio Revised Code § 3375.56. At the end of each calendar year the Association may retain up to ten percent of their unencumbered balance.

E. Property, Plant, and Equipment

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

F. Refund to Relative Income Sources

If certain conditions are met, Ohio Revised Code § 3375.56 requires the Association to refund at least ninety percent of any *unencumbered* balance to political subdivisions that provided revenues to the Association. See Footnote 2 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 Association's accounting basis. Neither is such data comparable to a consolidation. The Association 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 Association 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." There was no unencumbered balance for 2004. Therefore, no 2004 Refund to Relative Income Sources or Retained Fund Amounts was required to be paid during 2005. The Association remitted the 2003 Refund to Relative Income Sources during 2005. The following chart represents the minimum refund and maximum retained amounts to be paid during 2006 based on the Unencumbered Balance at December 31, 2005.

**LAW LIBRARY ASSOCIATION
VINTON COUNTY**

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

2. REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED (Continued)

Unencumbered Balance at December 31, 2005	
Refunded and Retained During Calendar Year 2006	
Unencumbered Balance at December 31, 2005	\$5,820
Minimum Refund to Relative Sources for 2005 to be paid during 2006	5,238
Maximum Retained Funds Amount to be paid during 2006	\$582

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Association maintains a cash 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	\$8,057	\$4,399

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

4. RISK MANAGEMENT

Commercial Insurance

The Law Library Association has been insured by the Vinton County Commissioners for the following risks:

- Comprehensive property and general liability
- Errors and omissions.

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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**

Law Library Association
Vinton County
114 West Main Street
McArthur, Ohio 45651

To the Board of Trustees:

We have audited the financial statements of the Law Library Association, Vinton County, Ohio (the Association) as of and for the years ended December 31, 2005 and 2004 and have issued our report thereon dated June 15, 2006, wherein we noted the Association 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 Association's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 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 Association's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A Reportable Condition is described in the accompanying Schedule of Findings as item 2005-005.

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 Association's management dated June 15, 2006, we reported an other matter involving internal control over financial reporting which we did not deem a reportable condition.

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Compliance and Other Matters

As part of reasonably assuring whether the Association'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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-004. In a separate letter to the Association's management dated June 15, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

June 15, 2006

**LAW LIBRARY ASSOCIATION
VINTON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 9.38 requires, in part, that public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

If the amount of daily receipts does not exceed \$1,000 **and** the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

During 2004, 64% of receipts tested were not deposited timely. 54% of receipts tested during 2005 were not deposited timely. In the absence of Board policy stating otherwise, this resulted in noncompliance.

We recommend receipts be deposited within twenty-four hours of receipt, or, if the amount of receipts are less than \$1,000, the Board of Trustees adopt a policy establishing procedures to hold the receipt for up to three business days after receiving it.

Officials Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Admin. Code Section 117-2-02 (D)(4) states, in part, that all local public offices should maintain or provide a report similar to the following accounting records: (a) Payroll records including:

- (i) W-2 forms, W-4 forms and other withholding records and authorizations
- (ii) Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as termination payment), and the fund and account charged for the payments

No payroll journal was maintained. Also, no W-2 forms were available for review. This provides no supporting documentation or detail to show gross pay and deductions withheld.

We recommend the Secretary/Treasurer maintain appropriate payroll records.

Officials Response: We did not receive a response from Officials to this finding.

**LAW LIBRARY ASSOCIATION
VINTON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2005-003

Noncompliance Citation

Ohio Rev. Code Section 149.351(A) requires that all records which are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under section 149.38 to 149.42 of the Ohio Revised Code.

Only the December 17, 2004 and December 21, 2005 record of minutes could be provided for meetings held during 2004 or 2005. During 2004, the 2nd and 4th quarter 941 Forms and January through September PERS Contribution Forms were not maintained. During 2005, 100% of 941 Forms and March, April, and September through December PERS Contribution Forms were not maintained. This could allow error and/or irregularities to occur and remain undetected for an extended period of time.

We recommend the Association require all supporting documentation to be maintained to ensure that all transactions are accurate and appropriate.

Officials Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-004

Noncompliance Citation

Ohio Rev. Code Section 3375.56 provides that on the first Monday of each year, the Board of Trustees of the Law Library must send a detailed statement to the County Auditor which lists the amounts and sources of fine monies received under Ohio Revised Code Sections 3375.50 through 3375.53 inclusive. The statement should also contain a detailed listing of all fine money spent by the law library during the preceding year. If the total amount of fine money by the law library during the preceding year exceeds the expenditures and encumbrances made during the year, the County Auditor must certify such fact to the Board of Trustees of the Law Library. The amount to be refunded by the Law Library is to be at least 90% of the total unexpended balance from the previous year.

For 2004 and 2005, a detailed statement of receipts and expenditures was not submitted to the County Auditor. Also, 90% of the total unexpended balance for 2003 was not remitted until 2005. The Association incorrectly calculated the total unexpended balance for 2005. As of April 25, 2006, only 9.9% of the actual unencumbered balance had been remitted to the County. This resulted in the Association owing additional payments to the County as of April 25, 2006.

We recommend the Library send a detailed statement to the County Auditor and refund the monies due by the first Monday of the year.

Officials Response: We did not receive a response from Officials to this finding.

**LAW LIBRARY ASSOCIATION
VINTON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2005-005

Reportable Condition

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices. When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies,
- Ensure that accounting records are properly designed;
- Ensure adequate security of assets and records;
- Plan for adequate segregation of duties or compensating controls;
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records;
- Perform analytical procedures to determine the reasonableness of financial data; and
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

The Secretary/Treasurer did not perform monthly bank reconciliations. Nothing was documented to indicate any type of review of bank statements or underlying records. This resulted in the Association reporting an incorrect ending balance for 2005 and omitting the Retained Monies account from their financial statements. This also resulted in the Association's calculation of 2005 retained money's to be incorrect for the County for the 90% of the unencumbered balance due for 2005. The Association has made corresponding audit adjustments to their financial statements and Retained Money calculation reflected in Note 3.

We recommend the Secretary/Treasurer prepare complete written bank reconciliation each month. The Association's bank register should be reviewed for accuracy. This should be evidenced by initials of the reviewer and date of the review.

Officials Response: We did not receive a response from Officials to this finding.



**Auditor of State
Betty Montgomery**

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LAW LIBRARY ASSOCIATION

VINTON 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
JULY 20, 2006**