



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LAW LIBRARY ASSOCIATION
PERRY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Law Library Association
Perry County
P.O. Box 88
New Lexington, Ohio 43764

To the Board of Trustees:

We have audited the accompanying financial statements of the general fund and the retained monies fund of the Law Library Association, Perry County, Ohio, (the Association) as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Association 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. Also, the financial statements present only the general fund and the retained monies fund, and are not intended to present fairly the financial position and results of operations of the Association in conformity with the basis of accounting as described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Law Library Association, Perry County's, general fund and retained monies fund as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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

As discussed in Note 3, the retained money's fund balance at December 31, 2001, includes amounts that are legally required to be refunded to the relative income source. As further described in Note 7, the proper amount has been refunded after the date of these financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002 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 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, the 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 stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

November 15, 2002

**LAW LIBRARY ASSOCIATION
PERRY COUNTY**

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

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
Cash Receipts:			
Fine and Forfeitures	\$75,915	\$	\$75,915
Interest	7,783		7,783
Total Cash Receipts	83,698	0	83,698
Cash Disbursements:			
Supplies and Materials	71,319		71,319
Salaries	1,595		1,595
Total Cash Disbursements	72,914	0	72,914
Total Cash Receipts Over/(Under) Cash Disbursements	10,784	0	10,784
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(10,784)	10,784	0
Total Other Financing Receipts/(Disbursements)	(10,784)	10,784	0
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	0	10,784	10,784
Public Fund Cash Balances, January 1	0	137,008	137,008
Public Fund Cash Balances, December 31	\$0	\$147,792	\$147,792

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

**LAW LIBRARY ASSOCIATION
PERRY COUNTY**

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

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
Cash Receipts:			
Fine and Forfeitures	\$78,652	\$	\$78,652
Interest	4,649		4,649
Miscellaneous Receipts	457		457
Total Cash Receipts	83,758	0	83,758
Cash Disbursements:			
Supplies and Materials	63,948		63,948
Salaries	1,703		1,703
Total Cash Disbursements	65,651	0	65,651
Total Cash Receipts Over/(Under) Cash Disbursements	18,107	0	18,107
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(18,596)	18,596	0
Refunds from Vendors	489		489
Total Other Financing Receipts/(Disbursements)	(18,107)	18,596	489
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	0	18,596	18,596
Public Fund Cash Balances, January 1 - See Note 2	0	118,412	118,412
Public Fund Cash Balances, December 31	\$0	\$137,008	\$137,008

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

**LAW LIBRARY ASSOCIATION
PERRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Law Library Association, Perry County (the Association), is overseen by members of the Perry County Bar Association and managed by a Secretary-Treasurer. The Association provides free access for 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) Sections 3375.50 to .53, inclusive. The Association is permitted to expend funds under ORC Section 3375.54. The funds of the Association are expended on the purchase, lease or rental of lawbooks; computer communications consoles to access a system of computerized legal research; microfilm materials and equipment, videotape materials and equipment; audio or visual materials and equipment; and other services, materials, and equipment that provide legal information or facilitate legal research.

The Perry County Commissioners are required by ORC Section 3375.49 to provide adequate facilities for the Association. The Board of County Commissioners is required to provide suitable bookcases, heating and lighting for the rooms.

The Board of Trustees hires a Secretary-Treasurer and sets the compensation of the Secretary-Treasurer, which is paid by the Association.

The Association's management believes these financial statements present all public funds for which the Association is financially accountable. Some funds received by the Library are considered private monies. Private monies include: membership dues, overdue book charges and photocopying charges. Fees collected for the use of books and copiers remain private even though the books and copiers may have been purchased with public funds. Private monies can be disbursed at the discretion of the Library. The accompanying financial statements do not present private monies.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

C. 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:

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.

**LAW LIBRARY ASSOCIATION
PERRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Retained Monies Fund

The Retained Monies Fund consists of monies retained by the Association under Ohio Revised Code § 3375.56. At the end of each calendar year the Association is permitted under law to retain up to ten percent of their unencumbered balance. See note 3 for additional information.

D. 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.

E. Refund to Relative Income Sources

If certain conditions are met, the Association is required to refund at least ninety percent of any *unencumbered* balance to political subdivisions that provided revenues to the Association. As indicated in note 3, the Association did not refund ninety percent of its unencumbered balance as required by law.

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 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.

2. ACCOUNTING CHANGE

Prior to January 1, 2000, the Retained Monies Fund was not disclosed by the Association. Effective January 1, 2000, the amounts of fine monies retained by the Association have been reported in the Retained Monies Fund to segregate those monies retained by the Association from the financial activity comprised of current year fines and expenditures reported in the General Fund.

3. CALCULATION OF REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED

In any year that revenues exceed disbursements, the Association is required to refund at least ninety percent of the *unencumbered* balance to the political subdivisions who provided the funds and retain the remaining amount. This refund process is referred to as the application of ORC 3375.56 or refund to relative income sources. The following charts present the refunded and retained amounts during 2001 and 2000.

**LAW LIBRARY ASSOCIATION
PERRY COUNTY**

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

**3. CALCULATION OF REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED
(Continued)**

<i>Unencumbered Balance at December 31, 2000 Refunded and Retained During Calendar Year 2001</i>	
Unencumbered Balance at December 31, 2000	\$137,008
Refunded to Relative Sources during 2001	0
Retained Funds Amount during 2001	10,784

<i>Unencumbered Balance at December 31, 1999 Refunded and Retained During Calendar Year 2000</i>	
Unencumbered Balance at December 31, 1999	\$118,412
Refunded to Relative Sources during 2000	0
Retained Funds Amount during 2000	18,596

As shown above, the Association did not comply with the application of ORC 3375.56 as refunds were not made to the income source as required. As of the date of this report, the Association has refunded the appropriate amounts for 2001 and 2000, as well as amounts for 1997, 1998 and 1999. These refunded amounts total \$100,474. The financial statements do not reflect the effect of these refunds. Had the refunds been made in compliance with ORC 3375.56, the Association's Retained Monies Fund balance would be \$47,318.

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$147,792	\$137,008

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Association.

5. RETIREMENT SYSTEM

The Association's Clerk-Treasurer belongs to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, the Clerk-Treasurer contributed 8.5% of her gross salary. The Association contributed an amount equal to 13.55% of the participant's gross salary except for the period July 1, 2000 through December 31, 2000, where PERS temporarily reduced the employer's contribution rate to 8.13% of the participant's gross salary. The Association has paid all contributions required through December 31, 2001.

**LAW LIBRARY ASSOCIATION
PERRY COUNTY**

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

6. RISK MANAGEMENT

Commercial Insurance

The Association has obtained commercial insurance for comprehensive property and general liability risks as covered by the Perry County Commissioners.

7. SUBSEQUENT EVENTS

On November 15, 2002, the Association issued check no. 1014 in the amount of \$100,474 to the Perry County Auditor refunding amounts which should have been refunded for the years 1997 through 2001 as required by ORC 3375.56.



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

Law Library Association
Perry County
P.O. Box 88
New Lexington, Ohio 43764

To the Board of Trustees:

We have audited the accompanying financial statements of the Law Library Association, Perry County, Ohio (the Association), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated November 15, 2002, wherein we indicated the financial statements only include the general fund and the retained monies fund. We also noted the Association has included the Retained Monies Fund for the first time and the December 31, 2001 Retained Monies fund balance includes amounts that have been refunded to income sources after the date of these financial statements. 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 Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-61064-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Association in a separate letter dated November 15, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association'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 Association's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2001-61064-002.

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 consider the reportable condition described above to be a material weakness. We also noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Association in a separate letter dated November 15, 2002.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

November 15, 2002

**LAW LIBRARY ASSOCIATION
PERRY 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 2001-61064-001

Finding For Recovery Repaid Under Audit

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

For each fiscal year from 1997 through 2001, the Association had revenues in excess of total expenditures. However, no portion of the excess monies was refunded to the appropriate public offices. The annual financial statements from 1997 to 2001 reported encumbrances at each year end which were greater than the excess monies. As a result, no excess monies were returned. However, upon further review, we were unable to locate, and the Association has not presented us with, any documentation to support the validity of the amounts reported as encumbrances. Without documentation to indicate an encumbrance system was maintained and supported by valid purchase commitments, excess fine monies should have been refunded to the appropriate public offices.

The following schedule provides a comparison of revenues to expenditures to determine the allowable retainage versus the actual retainage:

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenues	\$87,072	\$70,444	\$100,778	\$84,247	\$83,698
Expenditures	<u>64,291</u>	<u>42,013</u>	<u>69,732</u>	<u>65,651</u>	<u>72,914</u>
Excess	22,781	28,431	31,046	18,596	10,784
Allowable Retainage	<u>2,278</u>	<u>2,843</u>	<u>3,105</u>	<u>1,860</u>	<u>1,078</u>
Variance	<u>\$20,503</u>	<u>\$25,588</u>	<u>\$27,941</u>	<u>\$16,736</u>	<u>\$9,706</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money due but uncollected is hereby issued against the Perry County Law Library Association in the amount of \$100,474, in favor of Perry County. On November 15, 2002, the Association issued check no. 1014 to refund \$100,474 to Perry County.

**LAW LIBRARY ASSOCIATION
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-61064-002

Material Weakness

The operations of the Perry County Law Library Association have been overseen by members of the Perry County Bar Association. Since August, 1992, minutes have not been maintained of any meetings concerning the operation of the Law Library Association. A Secretary-Treasurer reconciled bank accounts, signed checks for the payment of bills, and posted financial transactions on behalf of the Law Library Association. Documentation of the involvement of Bar Association members in the oversight of the Law Library Association was minimal.

This informal manner of conducting Law Library Association business could allow errors or irregularities to occur and remain undetected.

We recommend the following items to strengthen controls over the Law Library Association's operations:

1. The Perry County Bar Association should appoint members to serve as trustees of the Law Library Association. The individuals appointed and the term of each appointment should be recorded in minutes of the meetings to be held by the board of trustees.
2. Once the membership of the board of trustees has been determined, the board should hold an organizational meeting for the purpose of establishing policies for the operation of the Association. Policies should address, but not be limited to, the following areas:
 - a. The manner in which the Secretary-Treasurer will be notified in order to make purchases and incur obligations on behalf of the Association should be set by policy. For example, a purchase order could be signed by a trustee to document goods or services needed and to serve as the board's authorization for the Secretary-Treasurer to make a purchase.
 - b. The frequency and location of board meetings should be set by policy.
 - c. The records to be maintained by the Secretary-Treasurer as well as the reports to be presented to the board from the Secretary-Treasurer should be set by policy.
 - d. The manner in which bills will be presented for payment should be set by policy. Those bills authorized for payment could be listed in the board's minutes and/or vouchers could be signed by board members and filed with the appropriate invoices attached. To further safeguard account assets, the board could consider requiring both a board member's signature as well as the Secretary-Treasurer's signature on each check issued.
 - e. The manner in which the board will monitor Association activities should be determined. For example, the board could require monthly financial reports and bank reconciliations to be presented. The board could then review and initial these documents to indicate the board's involvement and oversight. These documents would also help assure the board possessed the appropriate information upon which to make informed decisions concerning the operation of the Association.
 - f. The manner in which audit results will be reviewed and addressed could be set by policy. For example, the board could appoint a committee comprised of board members to address audit results, as well as other compliance and internal control issues that may arise.



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OFFICE OF THE AUDITOR

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PERRY COUNTY LAW LIBRARY ASSOCIATION

PERRY 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
DECEMBER 5, 2002**