



**Auditor of State  
Betty Montgomery**



HENRY COUNTY LAW LIBRARY ASSOCIATION

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**Auditor of State  
Betty Montgomery**

## **INDEPENDENT ACCOUNTANTS' REPORT**

Law Library Association  
Henry County  
609 North Perry Street  
Napoleon, Ohio 43545-1798

To the Board of Trustees:

We have audited the accompanying financial statements of the Henry County Law Library Association (the Library) as of and for the years ended December 31, 2003 and 2002. 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 audits.

We conducted our audits 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 audits 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 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, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Library as of December 31, 2003 and 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2004 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 the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 3, 2004

**HENRY COUNTY LAW LIBRARY ASSOCIATION**

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

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
<b>Cash Receipts:</b>			
Fine and Forfeitures	\$ 121,856	\$ -	\$ 121,856
Total Cash Receipts	121,856		121,856
<b>Cash Disbursements:</b>			
Salaries	1,004		1,004
Fringe Benefits	1,662		1,662
Periodicals	118,708		118,708
Refunds to Relative Income Sources (See Note 2)	32,863		32,863
Utilities	573		573
Other	300		300
Total Cash Disbursements	155,110		155,110
Total Cash Disbursements Over Cash Receipts	(33,254)		(33,254)
<b>Other Financing Receipts/(Disbursements):</b>			
Remittance to Retained Fund	(3,651)		(3,651)
Refunds from Vendors	1,896		1,896
Remittance from General Fund		3,651	3,651
Total Other Financing Receipts	(1,755)	3,651	1,896
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(35,009)	3,651	(31,358)
Fund Cash Balances, January 1	36,515	6,683	43,198
<b>Fund Cash Balances, December 31</b>	<b>\$ 1,506</b>	<b>\$ 10,334</b>	<b>\$ 11,840</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**HENRY COUNTY LAW LIBRARY ASSOCIATION**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2002

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
<b>Cash Receipts:</b>			
Fine and Forfeitures	\$ 157,969	\$ -	\$ 157,969
Total Cash Receipts	157,969		157,969
<b>Cash Disbursements:</b>			
Salaries	1,709		1,709
Fringe Benefits	434		434
Periodicals	116,295		116,295
Refunds to Relative Income Sources (See Note 2)	4,740		4,740
Utilities	466		466
Other	2,550		2,550
Total Cash Disbursements	126,194		126,194
Total Cash Receipts Over Cash Disbursements	31,775		31,775
<b>Other Financing Receipts/(Disbursements):</b>			
Remittance to Retained Fund	(275)		(275)
Refunds from Vendors			-
Remittance from General Fund		275	275
Total Other Financing Receipts/(Disbursements)	(275)	275	
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	31,500	275	31,775
Fund Cash Balances, January 1	5,015	6,408	11,423
<b>Fund Cash Balances, December 31</b>	<b>\$ 36,515</b>	<b>\$ 6,683</b>	<b>\$ 43,198</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



# HENRY COUNTY LAW LIBRARY ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003 AND 2002

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of the Entity

The Henry County Law Library Association (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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) §§ 3375.50 to .53, inclusive. The Library is permitted to expend funds under ORC § 3375.54. The funds of the Library 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 Henry County Commissioners are required by ORC § 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 hires a librarian and not more than two assistant law librarians. The Judges of the Court of Common Pleas of Henry County fix the compensation of the librarian and up to two assistant librarians pursuant to ORC § 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 public funds for which the Library is financially accountable.

The Law Library is entitled to collect private monies. Private monies can 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 Library does not receive any private monies.

# HENRY COUNTY LAW LIBRARY ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

(Continued)

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

#### **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 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 and other items related toward facilitating the use of the equipment.

### **E. 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.

**HENRY COUNTY LAW LIBRARY ASSOCIATION**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

(Continued)

**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.

**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 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 charts present the refunded and retained amounts during 2003 and 2002.

<u>Refunded and Retained During Calendar Year 2003</u>	
Unencumbered Balance at December 31, 2002	\$ 36,515
Refunded to Relative Sources during 2003	32,864
Retained Funds Amount during 2003	3,651

<u>Refunded and Retained During Calendar Year 2002</u>	
Unencumbered Balance at December 31, 2001	\$ 5,015
Refunded to Relative Sources during 2002	4,740
Retained Funds Amount during 2002	275

**3. EQUITY IN POOLED CASH**

The Library 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:

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$ 11,840</u>	<u>\$ 43,198</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**HENRY COUNTY LAW LIBRARY ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2003 AND 2002**

(Continued)

**4. RISK MANAGEMENT**

The Law Library's commercial insurance is provided by the Henry County Commissioners, as their location is in the Henry County Courthouse.



**Auditor of State  
Betty Montgomery**

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

Law Library Association  
Henry County  
609 North Perry Street  
Napoleon, Ohio 43545-1798

To the Board of Trustees:

We have audited the accompanying financial statements of the Henry County Law Library Association (the Library) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 3, 2004. We conducted our audits 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**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. A reportable condition is described in the accompanying schedule of findings as item 2003-001.

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 do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated August 3, 2004.

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.



**Betty Montgomery**  
Auditor of State

August 3, 2004

# HENRY COUNTY LAW LIBRARY ASSOCIATION

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2003

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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## FINDING NUMBER 2003-001

### Reportable Condition - Expenditures

During testing of the Law Library expenditures the following discrepancies were noted:

- Multiple billing accounts are maintained with the same vendor. These accounts are a result of vendors merging and not consolidating their accounts. In addition ordering of materials is performed by individuals other than the Law Librarian.
- Invoices are not paid in a timely manner.
- Payments are made from statements with no indication that the statements were matched to the invoices or to the packing slip. Discrepancies are not rectified with the vendor resulting in outstanding balances which eventually resulted in settlement of accounts between the vendor and the Library.

These deficiencies have resulted in payment of late fees and could result in the over payment of invoices or misappropriation of funds going undetected. To ensure that the Library has implemented adequate controls over their purchasing, we recommend that:

- The Library should consolidate the various accounts with each vendor into one billing account per vendor. Any ordering should be performed by the Law Librarian.
- Invoices should be paid within the specified time period noted on vendor invoices.
- In the absence of a packing slip or invoice accompanying Library materials received, the filer should write down the date, quantity and condition of the items received. This information should be forwarded to the bookkeeper, who can then match this information to the invoice when received.
- Statements should be matched to invoices and payments should only be made on what was actually received. Any discrepancies between what was received to what was billed should be identified and rectified at that time with the vendor.

**HENRY COUNTY LAW LIBRARY ASSOCIATION**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2003 and 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-60135-001	Finding for Recovery - incorrect calculation of refund to relative income sources	Yes	





**Auditor of State  
Betty Montgomery**

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**HENRY LAW LIBRARY ASSOCIATION**

**HENRY 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 31, 2004**