



**Auditor of State
Betty Montgomery**

LAW LIBRARY ASSOCIATION
HANCOCK COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Law Library Association
Hancock County
300 S. Main Street, 4th Floor
Findlay, Ohio 45840-3309

To the Board of Trustees:

We have audited the accompanying financial statements of the general fund of the Hancock County Law Library Association (the Library) as of and for the years ended December 31, 2002 and 2001. 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 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 audits provide 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. Also, the financial statements present only the general fund and are not intended to present fairly the financial position and results of operations of the Library 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 Library's general fund as of December 31, 2002 and 2001, and its combined 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 28, 2003 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 audits.

This report is intended solely for the information and use of the finance committee, 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 28, 2003

**LAW LIBRARY ASSOCIATION
HANCOCK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN GENERAL FUND CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	General Fund
Cash Receipts:	
Fine and Forfeitures	\$ 249,867
Interest	1,240
Miscellaneous Receipts	1,156
Total Cash Receipts	252,263
Cash Disbursements:	
Salaries and Benefits	51,834
Supplies and Materials	207,720
Travel Reimbursements	2,790
Total Cash Disbursements	262,344
Total Cash Disbursements Over Cash Receipts	(10,081)
Other Financing Receipts:	
Refunds from Vendors	3,128
Excess of Disbursements Over Cash Receipts and Other Financing Receipts	(6,953)
Cash Balance, January 1	2,466
Cash Balance, December 31	\$ (4,487)

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

**LAW LIBRARY ASSOCIATION
HANCOCK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN GENERAL FUND CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General Fund</u>
Cash Receipts:	
Fine and Forfeitures	\$ 293,515
Interest	240
Miscellaneous Receipts	<u>1,016</u>
Total Cash Receipts	<u>294,771</u>
Cash Disbursements:	
Salaries and Benefits	52,443
Supplies and Materials	243,167
Travel Reimbursements	<u>3,737</u>
Total Cash Disbursements	<u>299,347</u>
Total Cash Disbursements Over Cash Receipts	<u>(4,576)</u>
Other Financing Receipts:	
Refunds from Vendors	<u>4,617</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	41
Cash Balance, January 1	<u>2,425</u>
Cash Balance, December 31	<u><u>\$ 2,466</u></u>

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

**LAW LIBRARY ASSOCIATION
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Hancock County Law Library (the Library) is directed by a board of six trustees who are elected by members of the Hancock 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) §§ 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 Hancock 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 Hancock 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.

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.

**LAW LIBRARY ASSOCIATION
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

C. Fund Accounting

All activity of the Library's public funds activity is accounted for in the General Fund. The General Fund is the general operating fund. It can be used to account for all financial resources except those required to be accounted for in another fund.

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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Library.

F. 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.

2. REFUNDS TO RELATIVE INCOME SOURCES

In any year that revenues exceed disbursements, the Library is required to refund 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.

In 2001 the Library advanced funds to various vendors for which there were no current amounts due. Had these amounts not been advanced the Library would have been required to return \$9,688 to the various subdivisions providing support. A finding for recovery for the amounts due the various subdivisions has been included in this report.

3. CASH

The Ohio Revised Code prescribes allowable deposits and investments of Library funds. The carrying amount of cash at December 31 follows:

	2002	2001
Demand deposits	<u>\$ (4,487)</u>	<u>\$ 2,466</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**LAW LIBRARY ASSOCIATION
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. RETIREMENT SYSTEM

The Library employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2002 and 2001, members of OPERS contributed 8.5 percent of their wages. The Library contributed an amount equal to 13.55 percent of participants' gross salaries for 2002 and 2001. The Library has paid all contributions required through December 31, 2002.

5. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Inland Marine.
- Errors and omissions.

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**Auditor of State
Betty Montgomery**

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

Law Library Association
Hancock County
300 S. Main Street, 4th Floor
Findlay, Ohio 45840-3309

To the Board of Trustees:

We have audited the accompanying financial statements of the Hancock County Law Library Association (the Library) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 28, 2003, wherein we indicated the financial statements only include the general fund. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-003. We also noted certain other instances of noncompliance that do not require inclusion in this report that we have reported to management of the Library in a separate letter dated August 28, 2003.

Internal Control over Financial Reporting

In planning and performing our audits, 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 2002-004.

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 do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated August 28, 2003.

This report is intended solely for the information and use of the finance committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 28, 2003

**LAW LIBRARY ASSOCIATION
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Finding for Recovery

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.

At December 31, 2001, the Hancock County Law Library Association paid \$11,978 in advances to vendors for future services. These amounts were included in the total 2001 disbursements. As a result none of the amount required to be returned to the Hancock County, City of Findlay, and City of Fostoria were returned. Based on fines and penalties received and 2001 actual expenditures the following amounts should have been returned:

Hancock County	\$ 7,036
City of Findlay	2,593
City of Fostoria	59
	<hr/> <u>\$ 9,688</u>

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public money that has been collected but not accounted for, is hereby issued against the Law Library Association and in the amount of \$9,688, and in favor of the Hancock County in the amount of \$7,036, and City of Findlay in the amount of \$2,593, and City of Fostoria in the amount of \$59.

FINDING NUMBER 2002-002

Finding for Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Throughout 2002 and 2001, Deb Ward, Assistant Law Librarian, attended various conferences and seminars. In addition to the expenses incurred that were part of the cost of attending the conferences, Mrs. Ward was reimbursed \$225.05 for personal expenses incurred for extra days after the conference was over which were not associated with her attendance at the conference.

Ohio Revised Code § 117.28 states that when an audit report sets forth that any public money has been illegally expended; the entity's legal counsel may institute civil action to recover the money illegally expended.

**FINDING NUMBER 2002-002
(Continued)**

In accordance with the foregoing facts a finding for recovery for public money illegally expended is hereby issued against Daniel Snyder, Secretary/Treasurer, and The Cincinnati Insurance Company, his surety, and Deb Ward, Assistant Law Librarian, in the amount of \$225.05 in favor of the General Fund of the Law Library Association Treasury.

This finding was repaid on September 4, 2003.

FINDING NUMBER 2002-003

Finding for Recovery Repaid Under Audit

Ohio Revised Code § 3375.54 limits expenditures of the law library, in pertinent part, to services, materials, and equipment that provide legal information or facilitate legal research. The Hancock County Law Library purchased subscriptions to People Weekly and Martha Stewart magazines and also purchased greenery for the Library. These expenditures which totaled \$294.88 are not necessary to facilitate legal research. The checks issued for these expenditures were signed by Daniel Snyder, Secretary/Treasurer of the Law Library.

Ohio Revised Code § 117.28 states that when an audit report sets forth that any public money has been illegally expended; the entity's legal counsel may institute civil action to recover the money illegally expended.

In accordance with the foregoing facts, a finding for recovery for public money illegally expended is hereby issued against Daniel Snyder, Secretary/Treasurer, and The Cincinnati Insurance Company, his surety, jointly and severally, in the amount of \$294.88, in favor of the General Fund of the Law Library Association Treasury.

This finding was repaid on September 4, 2003.

FINDING NUMBER 2002-004

Reportable Condition

At December 31, 2001, the Law Library Association advanced moneys to various vendors for future services; there were no invoices to support these expenditures and there is no statutory authority for making these advances. According to the Library's records, there was \$4,842 in credit balances outstanding as of August 28, 2003.

To avoid future findings for recovery we recommend advance payments for future services are strictly prohibited and the Law Library Association request reimbursement for all remaining credit balances.

**LAW LIBRARY ASSOCIATION
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-60232-001	Finding for recovery for the reimbursement of personal expenses to the Assistant Law Librarian.	Yes	This finding was repaid during the last audit.

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**Auditor of State
Betty Montgomery**

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LAW LIBRARY ASSOCIATION

HANCOCK 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 2, 2003**