



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

SHELBY COUNTY LAW LIBRARY

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REPORT OF INDEPENDENT ACCOUNTANTS

Shelby County Law Library
100 S. Main Street
Sidney, Ohio 45365

To the Board of Trustees:

We have audited the accompanying financial statements of the Shelby County Law Library (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.

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 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, 2001 and 2000, 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 September 13, 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 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

September 13, 2002

SHELBY COUNTY LAW LIBRARY

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

Cash Receipts:	
Shelby County Auditor	\$57,559
City of Sidney	39,027
Shelby County Clerk of Courts	1,250
Interest	184
	<hr/>
Total Cash Receipts	98,020
	<hr/>
Cash Disbursements:	
Legal Publications	89,692
Supplies and Materials	26
Insurance	317
Other Expenses	41
	<hr/>
Total Cash Disbursements	90,076
	<hr/>
Total Cash Receipts Over Cash Disbursements	7,944
	<hr/>
Fund Cash Balance, January 1	3,611
	<hr/>
Fund Cash Balance, December 31	\$11,555
	<hr/> <hr/>
Encumbrances, December 31	\$33,529
	<hr/> <hr/>

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

SHELBY COUNTY LAW LIBRARY

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

Cash Receipts:	
Shelby County Auditor	\$46,778
City of Sidney	30,997
Shelby County Clerk of Courts	1,250
Interest	387
Miscellaneous Receipts	<u>5</u>
Total Cash Receipts	<u>79,417</u>
Cash Disbursements:	
Legal Publications	80,389
Supplies and Materials	80
Insurance	443
Refund to Relative Income Sources (See Note 2)	3,206
Miscellaneous Expenses	<u>1,215</u>
Total Cash Disbursements	<u>85,333</u>
Total Cash Receipts (Under) Cash Disbursements	<u>(5,916)</u>
Fund Cash Balance, January 1	<u>9,527</u>
Fund Cash Balance, December 31	<u><u>\$3,611</u></u>
Encumbrances, December 31	<u><u>\$39,500</u></u>

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

SHELBY COUNTY LAW LIBRARY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Shelby County Law Library (the Library) is directed by a board of five trustees who are elected for one year term by members of the Shelby 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; 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 Shelby County Commissioners are required by ORC Section 3375.49 to provide adequate facilities for the Library. The Board of County Commissioners are required to provide suitable bookcases, heating and lighting for the rooms.

The Board of Trustees may hire a librarian and not more than two assistant law librarians. The Judges of the Court of Common Pleas of Shelby County fix the compensation of the librarian and assistants 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. The Monies allowed to be retained by the Library under Ohio Revised Code Section 3375.56 are shown as disbursements in the general fund, since no retained balance has been accumulated and any amount available has been spent to support operations.

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. Cash and Investments

Investments are included in Fund Cash Balance. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

SHELBY COUNTY LAW LIBRARY

**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 segregate cash and investments that are restricted as to use. The Library classifies its funds into the following type:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources.

E. 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.

F. Refund to Relative Income Sources

If certain conditions are met, the Library is required to refund at least ninety percent of any balance to political subdivisions that provided revenues to the Library. See Footnote 2 for additional information.

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 charts present the refunded and retained amounts during 2000.

Balance at December 31, 1999	
Refunded and Retained During Calendar Year 2000	
Unencumbered Balance at December 31, 1999	\$3,562
Refunded to Relative Sources during 2000	\$3,206
Retained in the General Fund during 2000	\$356

SHELBY COUNTY LAW LIBRARY

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

3. EQUITY IN POOLED CASH AND INVESTMENTS

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>2001</u>	<u>2000</u>
Demand deposits	\$11,555	\$3,611

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

4. RISK MANAGEMENT

Commercial Insurance

The Shelby County Law Library has obtained commercial insurance for the following risks:

- Equipment (Copier)
- Valuable papers.

5. FORBEARANCE AGREEMENT WITH WEST GROUP

On July 25, 2001, the Law Library Board entered into a forbearance agreement with their vendor West Group. The Law Library was to pay monthly installments of \$7,500 with a final payment of \$3,469 due on April 11, 2002. The payments are for an outstanding balance of \$81,464, which was reduced to \$71,463 by the West Group, as part of the agreement. As of December 31, 2001 and 2000, the outstanding account balances to this vendor was \$26,486 and \$39,500 respectively.

6. SUBSEQUENT EVENT

The forbearance agreement between the Law Library and West Group, a vendor, was completed on April 4, 2002. The agreement stipulated monthly installments to be paid by the Law Library for an outstanding balance from unpaid invoices. The scheduled installments were from August 1, 2001 to April 11, 2002. A total of \$26,486 was paid during 2002 to fulfill the agreement.

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

Shelby County Law Library
100 S. Main Street
Sidney, Ohio 45365

To the Board of Trustees:

We have audited the accompanying financial statements of the Shelby County Law Library (the Library) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated September 13, 2002. 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 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. The reportable condition is described in the accompanying schedule of findings as item 2001-60275-001.

**Internal Control Over Financial Reporting
(Continued)**

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 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 September 13, 2002.

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



Jim Petro
Auditor of State

September 13, 2002

SHELBY COUNTY LAW LIBRARY

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

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

FINDING NUMBER 2001-30275-001

MATERIAL WEAKNESS:

Expenditures Exceeding Resources

For both 2001 and 2000 the available fund balances were exceeded by the expenditures and encumbrances incurred by the Library during the year as well as at year end. The encumbrances shown on the accompanying financial statements for both years were supported by vendor invoices for reference materials and supplies that were received by the Library by year end. In addition, during July of 2001, the Library had unpaid invoices that totaled \$81,464 to a vendor which caused the Board to require the Treasurer not to pay these invoices due to the lack of available funds. While this commitment was eventually satisfied, the Library's expenditures plus encumbrances consistently exceeded the available fund balances during 2001 and 2000.

The failure to keep expenditures within available resources could result in the Library's incurring penalties and interest charges and possible reductions of resources and services in future periods. The Library should put procedures in place such as a purchase order system, which would require the Library's Treasurer to certify that the funds were available free from any prior commitments prior to incurring an obligation.



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SHELBY COUNTY LAW LIBRARY

SHELBY 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
OCTOBER 10, 2002**