



**Auditor of State
Betty Montgomery**

**LAW LIBRARY ASSOCIATION
MORGAN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountant's Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances – All Public Funds – For the Year Ended December 31, 2002.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances – All Public Funds – For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Independent Accountant's Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11
Schedule of Prior Audit Findings.....	13

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

Law Library Association
Morgan County
19 East Main Street
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited the accompanying financial statements of the General Fund of the Law Library Association, Morgan County, Ohio (the Association), as of and for the years ended December 31, 2002 and 2001. 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 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's General Fund as of December 31, 2002 and 2001, 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 April 1, 2003 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.

Law Library Association
Morgan County
Independent Accountant's Report
Page 2

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 1, 2003

MORGAN COUNTY LAW LIBRARY ASSOCIATION
MORGAN COUNTY

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

	<u>General Fund</u>
Cash Receipts:	
Fines and Forfeitures	<u>\$46,069</u>
Total Cash Receipts	<u>46,069</u>
Cash Disbursements:	
Supplies and Materials	11,846
Equipment	<u>1,227</u>
Total Cash Disbursements	<u>13,073</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>32,996</u>
Public Fund Cash Balance, January 1	<u>273</u>
Public Fund Cash Balance, December 31	<u><u>\$33,269</u></u>

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

MORGAN COUNTY LAW LIBRARY ASSOCIATION
MORGAN COUNTY

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

	<u>General Fund</u>
Cash Receipts:	
Fines and Forfeitures	\$19,524
Interest	<u>21</u>
Total Cash Receipts	<u>19,545</u>
Cash Disbursements:	
Supplies and Materials	<u>19,272</u>
Total Cash Disbursements	<u>19,272</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>273</u>
Public Fund Cash Balance, January 1	<u>0</u>
Public Fund Cash Balance, December 31	<u><u>\$273</u></u>

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

**LAW LIBRARY ASSOCIATION
MORGAN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Morgan County Law Library (the Association) is directed by a board of three trustees who are elected annually or until their successors are elected and qualified by members of the Morgan County Bar Association. 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 Morgan 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 elects a librarian and not more than two assistant law librarians. The Judge of the Court of Common Pleas of Morgan County fixes the compensation of the librarian pursuant to ORC Section 3375.48 which is paid from the Morgan County Treasury.

The Association's management believes these financial statements present all public funds for which the Library is financially accountable.

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 type:

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
MORGAN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting(Continued)

2. Retained Monies Fund

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 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, 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. See Note 2 for additional information.

2. 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 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 2003, 2002 and 2001:

Balance at December 31, 2002 Refunded and Retained During Calendar Year 2003	
Balance at December 31, 2002	\$33,269
Refunded to Relative Sources during 2003	\$33,000
Retained Funds Amount during 2003	\$ 269

Balance at December 31, 2001 Refunded and Retained During Calendar Year 2002	
Balance at December 31, 2001	\$ 273
Refunded to Relative Sources during 2002	\$ 0
Retained Funds Amount during 2002	\$ 0

Balance at December 31, 2000 Refunded and Retained During Calendar Year 2001	
Balance at December 31, 2000	\$ 0
Refunded to Relative Sources during 2001	\$ 0
Retained Funds Amount during 2001	\$ 0

**LAW LIBRARY ASSOCIATION
MORGAN COUNTY**

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

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

As shown above, the Association did not comply with the application of ORC 3375.56 as a refund of the December 31, 2001 balance was not made to the income source as required during calendar year 2002. However, on January 13, 2003, the Association refunded \$33,000 to the income source, an amount in excess of the minimum amounts required to be refunded for both 2001 and 2002. Had the Association made the required refunds, the 2002 financial statement would include a retained monies fund to reflect a retainage of up to \$27 (10% of the 2001 balance).

3. 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:

	<u>2002</u>	<u>2001</u>
Demand deposits	<u>\$33,269</u>	<u>\$273</u>

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

4. RISK MANAGEMENT

Commercial Insurance

The Association is insured for comprehensive property damage. The Association is uninsured for the risks of errors and omissions and general liability.

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

Law Library Association
Morgan County
19 East Main Street
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited the accompanying financial statements of the Law Library Association, Morgan County, Ohio (the Association), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 1, 2003. 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 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 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-61058-001 and 2002-61058-002.

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, of the reportable conditions described above, we consider item 2002-61058-001 to be 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 Association in a separate letter dated April 1, 2003.

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

April 1, 2003

**LAW LIBRARY ASSOCIATION
MORGAN COUNTY**

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

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

FINDING NUMBER 2002-61058-001

The Morgan County Law Library Association (the Association), has adopted Articles which outline the Association's policies and procedures concerning meetings, membership, the election the Board of Trustees and officer(s), owning, selling, or disposing of property, and establishment of the fiscal year end as December 31. Certain aspects of these formal policies and procedures were not being followed during the audit period.

- Article I, Section 2 provides that an annual meeting of the Members of the Association be held for the purpose of electing Board of Trustees and for the consideration of reports to be presented at the meeting. The Association provided no evidence that such a meeting was held for the years under audit.
- Article VI, Section 1 provides the fiscal year of the Association is to end on December 31. The December 31, 2001 annual report was filed with the Morgan County Auditor. However, it was filed on December 10, 2001. The Association estimated the expenses for the remainder of the year and filed the report. These estimates were not accurate and resulted in an audit adjustment.

In addition, the following weaknesses were also noted:

- The Law Librarian reconciled the bank account, signed checks for the payment of bills, and posted financial transactions on behalf of the Association. There was no documentation of any involvement of the Board of Trustees in the oversight of the Association.
- The Association did not present any minutes of any meetings concerning the operation of the Association during the period under audit.

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

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

1. The Association should adhere to the adopted Articles. This would include holding an annual meeting for the purpose of election of trustees/officers and review of policies for the operation of the Association. The meetings should be made open to the public and published in the newspaper at least twenty four hours before the meeting is to take place.
2. In addition to the policies and procedures already addressed in the Association's Articles, the following areas should also be addressed by the Association in the form of formal written procedures:
 - a. The manner in which the Law Librarian 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 of Trustee's authorization for the Law Librarian to make a purchase.

**LAW LIBRARY ASSOCIATION
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-61058-001 (Continued)

- b. 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 of Trustee's minutes and/or vouchers could be signed by Board of Trustees members and filed with the appropriate invoices attached. To further safeguard account assets, the Board of Trustees could consider requiring a Board member's signature as well as the Law Librarian's signature on each check issued.
- c. The records to be maintained by the Law Librarian as well as the reports to be presented to the Board of Trustees from the Law Librarian should be set by policy.
- d. The manner in which the Board of Trustees will monitor Association activities should be determined. For example, the Board of Trustees could require monthly financial reports and bank reconciliations to be presented. The Board of Trustees could then review and initial these documents to indicate the Board of Trustees' involvement and oversight. These documents would also help assure the Board of Trustees possessed the appropriate information upon which to make informed decisions concerning the operation of the Association.
- e. The manner in which audit results will be reviewed and addressed should be set by policy. For example, the Board of Trustees could appoint an Audit Committee to address audit results, as well as other compliance and internal control issues that may arise.
- f. A permanent minute record of all Association meetings should be maintained. All official actions taken by the Board of Trustees should be included in these minutes. The official minute record should then be signed by the preparer and attested to by the Board of Trustees.

FINDING NUMBER 2002-61058-002

The Law Library Association did not maintain supporting documentation for 99% or \$19,079 of the Association's disbursements during 2001 and the Association did not maintain supporting documentation for 48% or \$6,307 of the Association's disbursements during 2002.

Although we found no instances of improper or unreasonable payments, this condition did not allow for proper documentation of Association expenses and could allow errors or irregularities to occur and remain undetected.

We recommend the Law Librarian maintain on file a vendor generated invoice to support each disbursement made by the Association.

**LAW LIBRARY ASSOCIATION
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
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>
2000-16058-001	A material weakness was issued for the failure to maintain records of the minutes.	No	Not Corrected: This is repeated in the Schedule of Findings as item 2002-61058-001.
2000-61058-002	A material weakness was issued for the lack of monitoring control procedures by the Board of Trustees of the Association.	No	Not Corrected: This repeated in the Schedule of Findings as item 2002-61058-001.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MORGAN COUNTY LAW LIBRARY ASSOCIATION

MORGAN 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
MAY 13, 2003**