



**Auditor of State
Betty Montgomery**

LAW LIBRARY ASSOCIATION
LOGAN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Law Library Association
Logan County
1121 Michigan Street
Bellefontaine, Ohio 43311-2518

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, Logan County (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 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. 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 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 and reserves for encumbrances of the Library's general fund and the retained monies 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 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 audit.

Law Library Association
Logan County
Independent Accountants' Report
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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

June 27, 2003

**LAW LIBRARY ASSOCIATION
LOGAN COUNTY**

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

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
Cash Receipts:			
Logan County Auditor	\$64,996		\$64,996
Probate/Junvenile Court	596		596
Clerk, Common Pleas Court	1,250		1,250
City of Bellefontaine	40,459		40,459
Bellefontaine Municipal Court	4,000		4,000
Interest		1,041	1,041
Miscellaneous Receipts	434		434
	<u>111,735</u>	<u>1,041</u>	<u>112,776</u>
Cash Disbursements:			
Supplies and Materials	71,763		71,763
Utilities	3,069		3,069
Salaries	13,511		13,511
Bank Charges	116		116
Miscellaneous Expense	886		886
	<u>89,345</u>		<u>89,345</u>
Total Cash Receipts Over Cash Disbursements	22,390	1,041	23,431
Public Fund Cash Balances, January 1	<u>7,679</u>	<u>45,735</u>	<u>53,414</u>
Public Fund Cash Balances, December 31	<u><u>\$30,069</u></u>	<u><u>\$46,776</u></u>	<u><u>\$76,845</u></u>
Reserves for Encumbrances, December 31	<u><u>\$11,263</u></u>	<u><u>\$0</u></u>	<u><u>\$11,263</u></u>

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

**LAW LIBRARY ASSOCIATION]
HARDIN 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>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Logan County Auditor	\$61,724		\$61,724
Probate/Junvenile Court Clerk, Common Pleas Court	577		577
City of Bellefontaine	1,250		1,250
Bellefontaine Municipal Court	39,417		39,417
Interest		1,820	1,820
Miscellaneous Receipts	25		25
	<u>106,993</u>	<u>1,820</u>	<u>108,813</u>
Total Cash Receipts			
	<u>106,993</u>	<u>1,820</u>	<u>108,813</u>
Cash Disbursements:			
Supplies and Materials	92,506		92,506
Utilities	2,763		2,763
Salaries	13,571		13,571
Bank Charges	118		118
Misc Expenses	1,963		1,963
	<u>110,921</u>		<u>110,921</u>
Total Cash Disbursements			
	<u>110,921</u>		<u>110,921</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(3,928)	1,820	(2,108)
Fund Cash Balances, January 1 - See Note 2	11,607	43,915	55,522
	<u>\$7,679</u>	<u>\$45,735</u>	<u>\$53,414</u>
Public Fund Cash Balances, December 31			
	<u>\$13,341</u>	<u>\$0</u>	<u>\$13,341</u>

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

**LAW LIBRARY ASSOCIATION]
LOGAN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Logan County Law Library (the "Library") is directed by a board of eight trustees who are elected by members of the Logan 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 Logan County Commissioners are required by ORC Section 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 may hire a librarian and not more than two assistant law librarians. The Judges of the Court of Common Pleas of Logan County fix the compensation of the librarian and up to two assistant librarians 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 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. The Reserve for Encumbrances on the financial statement represents commitments for purchases the Library has made. Encumbrances are recognized when a commitment is made.

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

C. Cash and Investments

The checking and money market mutual accounts are valued at cost.

LAW LIBRARY ASSOCIATION]
LOGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(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 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.

E. Budgetary Process

The Library is not required to budget annually; however, under Ohio Revised Code Section 3375.56 the Library is permitted to encumber funds equal to their commitments outstanding at year end. Encumbrances outstanding at year end are carried over to the subsequent year.

F. 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.

G. 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. The Library was not required to refund money in 2002 and 2001 since they did not have unencumbered fund balances at December 31, 2001 and 2000.

H. 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.

**LAW LIBRARY ASSOCIATION]
LOGAN COUNTY**

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

2. ACCOUNTING CHANGE

Prior to January 1, 2001, the retained monies funds were not disclosed by the Library. Effective January 1, 2001,

The Library determined the amounts relating to their Retained Monies Fund by providing annual reports and supporting documentation for revenues and expenditures to support their balance at December 31, 2000.

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>2002</u>	<u>2001</u>
Demand deposits	\$30,069	\$7,679
Money Market Account	46,776	45,735
Total deposits	<u>\$ 76,845</u>	<u>\$ 53,414</u>

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

4. RISK MANAGEMENT

Commercial Insurance

The Law Library Association, Logan County has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;

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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
Logan County
1121 Michigan Street
Bellefontaine, Ohio 43311-2518

To the Board of Trustees:

We have audited the financial statements of the Law Library Association, Logan County (the "Library"), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 27, 2003, wherein we indicated the financial statements only include the general fund and the retained monies fund wherein we also noted the Library has included the retained monies fund for the first time. 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. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Library in a separate letter dated June 27, 2003.

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 2002-001

**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 do not believe the reportable condition described above is a material weakness. We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated June 27, 2003.

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.



Betty Montgomery
Auditor of State

June 27, 2003

**LAW LIBRARY ASSOCIATION
LOGAN 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 2002-001

Determination of Employee versus Independent Contractor Status

Independent contractors are to be issued 1099's and employees are to receive W-2's for earned wages. Since individuals receiving 1099's are not considered employees, they are not subject to withholdings and related employer contributions. Individuals having deductions withheld should be considered employees and be issued a W-2.

The Library had two employees, whose employment contracts appear to indicate that they are employees and not independent contractors. One employee had PERS deducted and the other one had no deductions withheld. Both of these employees were issued 1099's, which would indicate they were independent contractors for the years ended December 31, 2002 and 2001. This situation results in the inconsistent treatment between the two employees and could result in the library being liable for additional employee and employer deductions.

The Library should review their employment needs and determine if they want these individuals to be independent contractors or employees. If they are to be independent contractors, then they should be issued 1099's and not have any deductions withheld. If they are considered employees, then W-2's should be issued, employee deductions should be withheld, and the Library should pay related employer contributions.

In addition, the Library should review the requirements of Ohio Rev. Code Section 3375.48 to determine if the wages of one or both individuals should be paid by the Logan County Treasury.



**Auditor of State
Betty Montgomery**

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LOGAN COUNTY LAW LIBRARY ASSOCIATION

LOGAN 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
JULY 24, 2003**