



**Auditor of State
Betty Montgomery**

**COLUMBUS LAW LIBRARY ASSOCIATION
FRANKLIN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Columbus Law Library Association
Franklin County
369 South High Street
Columbus, Ohio 43215

To the Board of Trustees:

We have audited the accompanying financial statements of the General Fund and the Retained Monies Fund of the Columbus Law Library Association, Franklin County, Ohio (the Library) as of and for the years ended December 31, 2003 and December 31, 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 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 reserve for encumbrances of the Library's General Fund and the Retained Monies Fund as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 2, the Library restated its January 1, 2002 cash fund balance in the General fund to correct errors in expenditure postings and in the Retained Monies fund to remove private monies.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2005 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, grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read in it in conjunction with this report in assessing the results of our audit.

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We intend this report solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Rev. Code Section. No one else should use it.

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

Betty Montgomery
Auditor of State

February 18, 2005

**COLUMBUS LAW LIBRARY ASSOCIATION
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PUBLIC FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$1,135,607	\$0	\$1,135,607
Interest	\$0	\$3,061	\$3,061
	<u>1,135,607</u>	<u>3,061</u>	<u>1,138,668</u>
Cash Disbursements:			
Personnel	386,260	0	386,260
Publications	650,357	0	650,357
Equipment	38,888	0	38,888
Supplies and Materials	74,547	0	74,547
Miscellaneous	6,705	0	6,705
	<u>1,156,757</u>	<u>0</u>	<u>1,156,757</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(21,150)	3,061	(18,089)
Public Fund Cash Balances, January 1	<u>29,226</u>	<u>64,864</u>	<u>94,090</u>
Public Fund Cash Balances, December 31	<u><u>\$8,076</u></u>	<u><u>\$67,925</u></u>	<u><u>\$76,001</u></u>

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

**COLUMBUS LAW LIBRARY ASSOCIATION
FRANKLIN 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>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$1,346,140	\$0	\$1,346,140
Interest	0	3,302	3,302
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	1,346,140	3,302	1,349,442
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Personnel	378,527	0	378,527
Publications	771,961	0	771,961
Equipment	101,928	0	101,928
Supplies and Materials	59,681	0	59,681
Miscellaneous	15,353	0	15,353
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	1,327,450	0	1,327,450
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	18,690	3,302	21,992
	<hr/>	<hr/>	<hr/>
Restated Public Fund Cash Balances, January 1 - See Note 2	10,536	61,562	72,098
	<hr/>	<hr/>	<hr/>
Public Fund Cash Balances, December 31	<u>\$29,226</u>	<u>\$64,864</u>	<u>\$94,090</u>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	<u>\$2,280</u>	<u>\$0</u>	<u>\$2,280</u>
	<hr/>	<hr/>	<hr/>

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

**COLUMBUS LAW LIBRARY ASSOCIATION
FRANKLIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Columbus Law Library Association, Franklin County, Ohio (the Library) is directed by a board of ten trustees who are elected annually by members of the Franklin 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 Franklin 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 hires a librarian. The Judges of the Court of Common Pleas of Franklin County fix the compensation of the librarian 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 should be paid from the county treasury. If the conditions above are not met, then the salary of the librarian 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.

**COLUMBUS LAW LIBRARY ASSOCIATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Cash and Investments

Investments are included in Fund Cash Balances. 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.

Certificates of deposit are valued at cost.

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.

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. See Footnote 3 for additional information.

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.

**COLUMBUS LAW LIBRARY ASSOCIATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. FUND RESTATEMENTS

The Library has restated the January 1, 2002, fund balances for the General fund and the Retained Monies fund. In previous years, private monies were commingled with public monies in the Retained Monies fund. The Library has removed the private monies from the Retained Monies fund and placed them in a Private Monies fund. The Library also corrected an error in the reporting of expenditures between the Retained Monies fund and the General fund. The effects of these restatements on the previously reported fund balances are as follows:

	General Fund	Retained Monies
Cash Balanced Prior to Restatement	\$21,597	\$592,922
Restatement due to expenditure error	(11,061)	11,061
Restatement due to removing private monies		(542,421)
Restated Cash Balance at January 1, 2002	\$ 10,536	\$ 61,562

3. 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. For 2002, the Library did not comply with ORC 3375.56 because it did not properly calculate the refund and the amount to be retained. The Library should have refunded \$34,462 to the political subdivision and transferred \$3,840 to the Retained Monies fund from the General fund. No refund was required for 2003.

4. 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:

	2003	2002
Demand deposits	\$ 10,556	\$ 35,064
Savings Accounts	7,608	46,859
Certificates of deposit	57,837	12,167
Total deposits	\$ 76,001	\$ 94,090

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**COLUMBUS LAW LIBRARY ASSOCIATION
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. RETIREMENT SYSTEM

The Library's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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 2003 and 2002 member employees contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.



Auditor of State Betty Montgomery

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

Columbus Law Library Association
Franklin County
369 South High Street
Columbus, Ohio 43215

To the Board of Trustees:

We have audited the financial statements of the Columbus Law Library, Franklin County, Ohio (the Library) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated February 18, 2005, wherein we indicated the financial statements only include the General fund and the Retained Monies fund and the Library restated its January 1, 2002 cash fund balances. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2003-001 and 2003-002. We also noted an immaterial instance of noncompliance that we have reported to management of Library in a separate letter dated February 18, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting 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 Library'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 2003-003 and 2003-004.

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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 conditions described above are material weaknesses. 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 the Library's management in a separate letter dated February 18, 2005.

This report is intended solely for the information and use of management and the 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

February 18, 2005

**COLUMBUS LAW LIBRARY ASSOCIATION
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-001
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Finding for Recovery

Ohio Rev. Code Section 3375.56 requires a law library board to refund proportionately to the treasurers of the various contributing political subdivisions at least 90% of public monies received that exceed expenditures during the same period. The Library had receipts in excess of expenditures totaling \$38,402 in 2002 but did not make refunds to the appropriate political subdivisions.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Sections 117.28, a finding for recovery for public monies that are due the subdivisions but that have not been collected by them is hereby issued against the Columbus Law Library General Fund, in the amount of thirty four thousand five hundred sixty-two dollars (\$34,562), which represents 90% of the excess, in favor of Franklin County. This money should then be distributed by Franklin County to the appropriate entities proportionate to the amount of funds that comprised the receipts to the Library during fiscal year 2002.

Finding Number	2003-002
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Finding for Adjustment- Retained Monies Fund

Ohio Rev. Code Section 3375.56 requires a law library board to refund proportionately to the treasurer of the various contributing political subdivisions at least 90% of public monies received that exceed expenditures during the same period. In addition, Auditor of State Bulletin 2004-007 states the remainder of the unencumbered General Fund balances, (up to 10%), may be kept for future expenses and should be transferred to the Retained Monies Fund.

The Library did not transfer 10% of the returnable unencumbered General Fund balance, totaling \$3,840, to the Retained Monies Fund, in 2002.

A finding for adjustment is hereby issued against the General Fund and in favor of the Retained Monies Fund in the amount of \$3,840.

Finding Number	2003-003
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Encumbrances Accounting

The method of reserving financial resources (available cash) for future expenditure (creating an "encumbrance") should be determined and approved by the governing authority. Any implemented procedures should ensure that the amount encumbered, the date of the commitment, the issuing vender, the purchase item description, and the fiscal officer's approval are clearly documented and maintained. The manner in which the aforementioned information is documented should be formal and consistently applied. As the purchase is made, the encumbered amount should be reduced by the purchase amount until the encumbered amount is completely exhausted, or the remaining amount is cancelled.

**COLUMBUS LAW LIBRARY ASSOCIATION
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number (Continued)	2003-003
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Encumbrances Accounting (Continued)

The Library encumbered cash amounts for certain vendors, but not others. The amounts encumbered for intended future purchases were written on "post-it" notes in the vendor file. The Auditor of State's examination of the "post-it" notes served as evidence of the encumbered cash amounts and the purchase amounts made against the encumbered cash for each vendor. Several "post-it" notes were not maintained, however encumbrances were included in the reported cash balance. The unsupported encumbered cash amounts caused adjustments to the General Fund encumbered cash balance, which affected the return of public monies, as noted in the findings 2003-001 and 2003-002, above.

We recommend that the Library Board adopt a formal policy and procedures for encumbering cash balances for future purchases. The policy should require the Library to maintain a system whereby purchase commitments are documented with the vendor's name, the encumbered cash amount, the date of the commitment, and the description of the purchase. The actual purchase amount (expenditures) should reduce the encumbrance amount for each vendor.

Finding Number	2003-004
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Timecards

Part-time employees' hours worked should be documented on a timecard. The timecard should be reviewed and approved by the immediate supervisor, evidenced by the supervisor's signature on the timecard. The employees should also sign the timecard validating the hours were worked.

The Library did not use a consistent method in summarizing hours work by part-time employees. Some did not use a timecard and others were informally documented on a calendar. No documented approval was presented from the employees' supervisors to suggest hours worked by part-time employees were correct and accurate. The failure to document and approve the employees' hours worked could result in hours paid that differ from the actual hours worked.

We recommend the Library ensure timecards are used by part-time employees. Timecards should not be submitted to the bookkeeper and paid without supervisor approval. All timecards should be retained to support payroll expenditures.



**Auditor of State
Betty Montgomery**

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COLUMBUS LAW LIBRARY ASSOCIATION

FRANKLIN 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 31, 2005**