



**Auditor of State
Betty Montgomery**

**LAW LIBRARY ASSOCIATION
LOGAN COUNTY
TABLE OF CONTENTS**

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - All Public Funds - For the Year Ended December 31, 2004	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - All Public Funds - For the Year Ended December 31, 2003.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	14

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

Logan County Law Library Association
Logan County
101 S. Main St., Room 19
Bellefontaine, Ohio 43311

To the Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 10, 2005

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Law Library Association
Logan County
101 S. Main St., Room 19
Bellefontaine, Ohio 43311

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, 2004 and 2003. 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 reasonably assure 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 described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2004, or its changes in financial position for the year then ended.

Also 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, 2004 and 2003, 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.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the year ended December 31, 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 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 and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

November 10, 2005

**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, 2004**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Logan County Auditor	\$64,979		\$64,979
Probate/Junvenile Court	573		573
Clerk, Common Pleas Court	1,251		1,251
City of Bellefontaine	27,019		27,019
Bellefontaine Municipal Court	4,000		4,000
Interest		806	806
Miscellaneous Receipts	13		13
	<u>97,835</u>	<u>806</u>	<u>98,641</u>
Cash Disbursements:			
Supplies and Materials	67,623		67,623
Refunds to Relative Income Sources - See Note 2	16,421		16,421
Salaries	14,991		14,991
Utilities	2,245		2,245
Bank Charges	71		71
Miscellaneous Expense	1,797		1,797
	<u>103,148</u>		<u>103,148</u>
Cash Receipts Over/(Under) Cash Disbursements	(5,313)	806	(4,507)
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(1,825)	1,825	0
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,138)	2,631	(4,507)
Public Fund Cash Balances, January 1	<u>33,321</u>	<u>49,513</u>	<u>82,834</u>
Public Fund Cash Balances, December 31	<u><u>\$26,183</u></u>	<u><u>\$52,144</u></u>	<u><u>\$78,327</u></u>
Reserves for Encumbrances, December 31	<u><u>\$5,111</u></u>		<u><u>\$5,111</u></u>

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

**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, 2003**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Logan County Auditor	\$67,780		\$67,780
Probate/Junvenile Court	572		572
Clerk, Common Pleas Court	1,251		1,251
City of Bellefontaine	32,816		32,816
Bellefontaine Municipal Court	4,000		4,000
Interest		856	856
Miscellaneous Receipts	1,700		1,700
	<u>108,119</u>	<u>856</u>	<u>108,975</u>
Cash Disbursements:			
Supplies and Materials	68,860		68,860
Refunds to Relative Income Sources - See Note	16,925		16,925
Utilities	2,171		2,171
Salaries	13,619		13,619
Bank Charges	27		27
Miscellaneous Expense	1,384		1,384
	<u>102,986</u>		<u>102,986</u>
Cash Receipts Over Cash Disbursements	5,133	856	5,989
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(1,881)	1,881	0
Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	3,252	2,737	5,989
Public Fund Cash Balances January 1	<u>30,069</u>	<u>46,776</u>	<u>76,845</u>
Public Fund Cash Balances, December 31	<u><u>\$33,321</u></u>	<u><u>\$49,513</u></u>	<u><u>\$82,834</u></u>
Reserves for Encumbrances, December 31	<u><u>\$15,075</u></u>		<u><u>\$15,075</u></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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Logan County Law Library Association (the "Library") is governed by a board of nine trustees. Members of the Logan County Bar Association elect the board members. The Library provides access to 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. ORC § 3375.54 authorizes the Library to disburse funds to purchase, lease or rent 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.

ORC §3375.49 requires the Logan County Commissioners to provide adequate facilities for the Library, including 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 these librarians' compensation pursuant to ORC § 3375.48. If the Library provides free access to all county officers and the judges of the several courts, the County treasury pays the librarians' salary. If the Library does not provide free access, the Library must pay the librarians' salary.

The Library deems any other money it may receive as private monies. Private monies represent monies from other sources than those identified on the accompanying financial statements. The Library need not comply with ORC § 3375.54 when disbursing private money. The accompanying financial statements do not present private monies.

The Library'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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. The Reserve for Encumbrances on the financial statement represents the Library's commitments for purchases. The Library recognizes encumbrances when it commits funds

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash

The Library's deposits are valued at cost.

**LAW LIBRARY ASSOCIATION
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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 accounts for all financial resources except those required to be accounted for in another fund.

2. Retained Monies Fund

Retained Monies Fund reports funds the Library retains under Ohio Revised Code § 3375.56. At the end of each calendar year the Library may retain up to ten percent of their unencumbered balance. See footnote 2 for additional information.

E. Budgetary Process

The Ohio Revised Code does not require the Library to budget annually. However, under Ohio Revised Code § 3375.56 the Library may 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

The Library records disbursements for equipment acquisitions when paid. The accompanying financial statements do not report these items as assets. The Library deems computers, copiers, fax machines, and other items related toward facilitating the use of equipment as equipment.

G. Refund to Relative Income Sources

If certain conditions are met, Ohio Revised Code § 3375.56 requires the Library 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.

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 Library's accounting basis. Neither is such data comparable to a consolidation. The Library does not eliminate interfund transactions when aggregating this data.

**LAW LIBRARY ASSOCIATION
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED

In any year that receipts exceed disbursements, the Library refunds at least ninety percent of the unencumbered balance to the political subdivisions who provided the funds and retains the remainder. Ohio Revised Code § 3375.56 requires this "refund to relative income sources." The following tables present the refunded and retained amounts during 2004 and 2003.

Unencumbered Balance at December 31, 2003	
<u>Refunded and Retained During Calendar Year 2004</u>	
Unencumbered Balance at December 31, 2003	\$18,246
Refunded to Relative Sources during 2004	<u>16,421</u>
Retained Funds Amount during 2004	<u><u>\$1,825</u></u>

Unencumbered Balance at December 31, 2002	
<u>Refunded and Retained During Calendar Year 2003</u>	
Unencumbered Balance at December 31, 2002	\$18,806
Refunded to Relative Sources during 2003	<u>16,925</u>
Retained Funds Amount during 2003	<u><u>\$1,881</u></u>

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$26,183	\$33,321
Money Market Account	<u>52,144</u>	<u>49,513</u>
Total deposits	<u><u>\$78,327</u></u>	<u><u>\$82,834</u></u>

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

4. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Law Library Association
Logan County
101 S. Main St., Room 19
Bellefontaine, Ohio 43311

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, 2004 and 2003, and have issued our report thereon dated November 10, 2005, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also disclosed the financial statements include only the general fund, and the retained monies funds. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Logan County Law Library Association
Logan County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for 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

November 10, 2005

**LOGAN COUNTY LAW LIBRARY ASSOCIATION
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 121.22 (C) states the minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

The only minutes maintained by the Library were from the annual meeting and one additional meeting held during 2004. Since the Library Board typically meets once a month, it appears that the minutes were not maintained as required by this Code Section. The failure to record the minutes of all meetings not only violates this Code Section, but also weakens the Library's ability to support actions taken by the Board.

The Library should implement procedures and controls to help assure the recording of minutes for all meetings.

FINDING NUMBER 2004-002

Noncompliance Citation

26 CFR 1.6041-1 states that independent contractors are to be issued 1099s and **26 CFR 1.6041-2** states that 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 employment contracts with individuals during 2004 and 2003, one for the general maintenance of the Library and one for bookkeeping services. The employees hired for both positions were issued 1099's, which would indicate they were considered independent contractors by the Library. However, the employees hired for the maintenance position had OPERS in the amount of \$502 withheld from their wages during 2004 and 2003. In addition, the Library contributed the employer share of \$800 in both 2004 and 2003. This situation resulted 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 consult with the IRS and/or OPERS to determine if these individuals should be considered 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.

LAW LIBRARY ASSOCIATION
LOGAN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	26 CFR 1.6041-1 – The Library should determine status of employee versus independent contractor.	No	Repeated as Finding 2004-002



**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

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
DECEMBER 6, 2005**