



**Auditor of State  
Betty Montgomery**



DAYTON LAW LIBRARY ASSOCIATION  
MONTGOMERY COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Dayton Law Library Association  
Montgomery County  
Montgomery County Courts Building  
41 North Perry Street  
P. O. Box 972  
Dayton, OH 45422-2490

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activity of the Dayton Law Library Association (the Library), Montgomery County, as of and for the years ended December 31, 2005 and 2004 which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activity of the Library, as of December 31, 2005 and 2004, and the respective changes in cash financial position thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2005 and 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on 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

August 17, 2006

**DAYTON LAW LIBRARY ASSOCIATION  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
UNAUDITED**

This discussion and analysis of the Dayton Law Library Association's (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- Cash increased in the governmental activities by \$5,238.
- The Library's program revenues are received primarily from court traffic fines from the Municipal and County Courts through the Montgomery County Auditor. Additionally, per the Ohio Revised Code, a total of \$1,250 per year is collected from the Montgomery County Clerk of Court. Fines are also received from the Montgomery County Juvenile Court through the Montgomery County Auditor and from Fiscal Officers of Municipalities where there is a Municipal Court.
- Receipts from fines and forfeitures pursuant to Ohio Revised Code Sections 3375.50-53 totaled \$691,266, an increase of 14% over 2004. Expenses for Information Resources amounted to \$658,161. Personal Services expenses decreased slightly to \$138,216. General Expenses totaled \$38,486.
- Loans totaling \$140,000 from the Association Fund were approved by the Board of Trustees during the year for the payment of 2005 operating expenses as fine and forfeiture income was not sufficient to support the operation.
- The Library received an insurance settlement in the amount of \$8,387 following damage to library materials which occurred during the replacement of the Courts Building roof in 2005 by Sturgill Roofing.

Key highlights for 2004 are as follows:

- Cash decreased in the governmental activities by \$4,051.
- The Library's program revenues are received primarily from court traffic fines from the Municipal and County Courts through the Montgomery County Auditor. Additionally, per the Ohio Revised Code a total of \$1,250 per year is collected from the Montgomery County Clerk of Court. Fines are also received from the Montgomery County Juvenile Court through the Montgomery County Auditor and from Fiscal Officers of Municipalities where there is a Municipal Court.
- Receipts from fines and forfeitures pursuant to Ohio Revised Code Sections 3375.50-53 totaled \$605,991, a decrease of 8% from the 2003 total. Expenses for Information Resources amounted to \$645,335. Personal Services expenses decreased 6% or \$8,411 due primarily to the retirement of a long-time employee in 2003. General Expenses totaled \$40,022.
- Loans totaling \$215,000 from the Association Fund were approved by the Board of Trustees during the year for the payment of 2004 operating expenses as fine and forfeiture income was not sufficient to support the operation.

**DAYTON LAW LIBRARY ASSOCIATION  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
UNAUDITED  
(Continued)**

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

**Report Components**

The Statement of Cash Basis Governmental Activities provides information about the cash activities of the Dayton Law Library.

The notes to the basic financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Fund Accounting**

Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. The Law Library maintains two funds, the General Fund and the Association (private fund). These statements present financial information for the General Fund.

The Association or private fund is derived from membership dues, investment income, and document delivery income. The private funds of the Law Library are not public monies and are maintained separately from the General Fund. Upon approval of the Board of Trustees, the private fund may loan monies to the General Fund to assist the Law Library in meeting its statutory requirements, as fine and forfeiture income is not sufficient to support the operation. The loans are carried on the books for two years and then expensed. In the event the funds become available in the General Fund, the loans would be repaid.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of activities reflects how the Library did financially during 2005 and 2004, within the limitations of cash basis accounting. The statement of activities compares cash disbursements with program receipts for each governmental program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.



**DAYTON LAW LIBRARY ASSOCIATION  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
UNAUDITED  
(Continued)**

This statement reports the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating.

The statement of activities includes only governmental activities and the Library's basic services are reported here, including use of information resources. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Governmental Funds**

Separate funds can be established to better manage the Library's many activities and to help demonstrate that monies that are restricted are being used for their intended purpose. The Library currently utilizes one fund.

The Library's activities are reported in governmental funds. The governmental fund financial statement provides a detailed view of the Law Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's governmental funds are presented on the financial statements. The only fund is the General Fund.

Table 1 reflects the changes in net assets in 2005 and 2004. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented for 2003.

**Table 1  
Change in Net Assets**

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Program Expenses:</b>		
Information Resources	\$658,161	\$645,335
Personal Services	138,216	140,199
General Expenses	38,486	40,022
Total Program Expenses	834,863	825,556
<b>Program Revenues:</b>		
Fines and Forfeitures		
Municipal Courts pursuant to ORC Section 3375.50	15,000	15,000
District Courts 1 and 2 pursuant to ORC Section 3375.51	139,785	158,258
Clerk of Common Pleas Court pursuant to ORC Section 3375.52	1,250	1,250
Municipal/Juvenile Courts pursuant to ORC Section 3375.53	535,231	431,483
Total Fines and Forfeitures	691,266	605,991
Net Program Expenses	143,597	219,565
<b>General Revenues:</b>		
Interest	448	514
Loans from the Association Fund	140,000	215,000
Insurance Settlement	8,387	0
Total General Revenues	148,835	215,514
Increase/(Decrease) in cash	\$5,238	(\$4,051)

**DAYTON LAW LIBRARY ASSOCIATION  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
UNAUDITED  
(Continued)**

For 2005 and 2004, program revenues include fines received pursuant to the provisions of the Ohio Revised Code providing for the operation of county law libraries. General revenues include a loan from the Association Fund, interest income, and an insurance settlement received following damage to library materials during the installation of a roof on the Courts Building.

For 2005 and 2004, program expenses for the Library represent the overhead costs of running the Library. These include the costs of information resources, personal services and general expenses.

**Current Issues**

The Library's purpose is to provide access to quality legal resources to the attorneys in Montgomery County and all county officers and the judges of the several courts within Montgomery County pursuant to Ohio Revised Code Section 3375.55 while staying within the restrictions imposed by limited and shrinking funding.

The Library relies primarily on traffic fines for operating funds. As a result of HB 66 and HB363, there will be changes to Law Library funding which will begin to impact the Library during calendar year 2007. Beginning January 1, 2007, a four year phase-out of county support in the form of salaries and benefits for the Law Librarian and two assistants will begin. Beginning January 1, 2008, a four year phase-out of county support including free space and utilities as well as book shelving will begin.

The Law Library is the plaintiff in a lawsuit. On August 15, 2005, the Law Library's request for a Writ of Mandamus was granted requiring the Clerk of Courts of the Kettering Municipal Court to disburse traffic fine monies collected for the benefit of the Law Library under Ohio Revised Code Section 3375.53 to the Montgomery County Auditor. The Kettering Clerk of Courts has held the fines due to a dispute between Kettering and Montgomery County over certain court costs. Currently, a total of \$175,812 is payable to the Law Library. The Kettering Clerk of Courts has filed an appeal with the Ohio Supreme Court.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joanne Beal, Law Librarian, The Dayton Law Library Association, Room 505, 41 North Perry Street, Dayton, OH 45422-2490.

**DAYTON LAW LIBRARY ASSOCIATION  
MONTGOMERY COUNTY**

**STATEMENT OF CASH BASIS GOVERNMENTAL ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<b>2005</b>	<b>2004</b>
<b>Program Disbursements:</b>		
Information Resources	\$658,161	\$645,335
Personal Services	138,216	140,199
General Expenses	38,486	40,022
Total Program Disbursements	834,863	825,556
<b>Program Receipts:</b>		
Fines and Forfeitures		
Municipal Courts pursuant to ORC Section 3375.50	15,000	15,000
District Courts 1 and 2 pursuant to ORC Section 3375.51	139,785	158,258
Clerk of Common Pleas Court pursuant to ORC Section 3375.52	1,250	1,250
Municipal/Juvenile Courts pursuant to ORC Section 3375.53	535,231	431,483
Total Program Receipts	691,266	605,991
Net Program Expenses	143,597	219,565
<b>General Revenues:</b>		
Interest	448	514
Loans from Association Fund	140,000	215,000
Insurance Settlement	8,387	
Total General Revenues	148,835	215,514
Increase (decrease) in Cash	5,238	(4,051)
Cash Balance Beginning of Year	8,866	12,917
Cash Balance End of Year	\$14,104	\$8,866

*See accompanying notes to the basic financial statements.*

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**DAYTON LAW LIBRARY ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. REPORTING ENTITY**

The Dayton Law Library Association (the Library) is a non-profit corporation organized under the Laws of the State of Ohio and is directed by a board of seven trustees who are elected to two-year terms by the members of the Law Library Association. The Library is exempt from income tax under section 501(c)(3) of the Internal Revenue Code.

The Library operates by receiving a portion of fine and forfeiture monies from the courts under Ohio Revised Code (ORC) Sections 3375.50 to 3375.53, inclusive. The Library is permitted to expend funds under ORC Section 3375.54. The funds of the Library are expended on the purchase of law books, subscriptions to online services, equipment and staff to provide legal information or facilitate legal research. The Library provides free access to all county officers and the judges of the several courts within the county pursuant to Ohio Revised Code Section 3375.55.

The Montgomery County Commissioners are required by ORC Section 3375.49 to provide adequate facilities for the Library. The Board of County Commissioners has been required to provide suitable bookcases, heating and lighting for the rooms.

The Board of Trustees hires a law librarian and staff. Pursuant to Ohio Revised Code Section 3375.48, the salaries of the librarian and up to two assistants are paid from the county treasury in exchange for free use of the library by all of the members of the Ohio general assembly, the county officers and the judges of the several courts in the county.

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 funds of the Law Library Association include membership dues, investment income, and document delivery income. Private monies can be disbursed at the discretion of the Library. The private funds of the Law Library are not public monies and are maintained separately from the General Fund. Upon approval of the Board of Trustees, the private fund may loan monies to the General Fund to assist the Law Library in meeting its statutory requirements, as fine and forfeiture income is not sufficient to support the operation. The loans are carried on the books for two years and then expensed. In the event the funds become available in the General Fund, the loans would be repaid. The accompanying financial statements do not present private monies.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2A, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Library's accounting policies.

**DAYTON LAW LIBRARY ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation**

These Financial Statements follow the basis of accounting the Auditor of State prescribes or permits.

The Library's Basic Financial Statement consists of cash basis governmental activities. The Statement of Cash Basis Governmental Activities display information about the Library as a whole. This statement includes the financial activities of the primary government. The Library's governmental activities generally are financed through fines and forfeitures or other non-exchange transactions.

The Statement of Cash Basis Governmental Activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts may include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**B. Fund Accounting**

The Library uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Library utilizes the governmental category of funds.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Library typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. The Library's fund is financed primarily from fines and forfeitures, and other non-exchange transactions. The Library's governmental fund is the General Fund.

**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.

**C. Cash and Investments**

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through Library records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2005 and 2004 the Law Library Association maintains an interest bearing checking account. Interest earnings are allocated to the Library fund according to the state statute. Interest receipts credited to the General Fund during 2005 was \$448 and \$514 for 2004.

**DAYTON LAW LIBRARY ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Inventory and Prepaid Items**

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**E. Capital Assets**

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.

**F. Interfund Receivables/Payables**

The Library reports advances-in and advances-out for interfund loans. These items are reflected as Loans from Association Fund in the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

**H. 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 receipts to the Library. See Note 4 for additional information.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Library recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Budgetary Process**

The Ohio Revised Code does not require the Library to budget annually.

**3. CHANGE IN BASIS OF ACCOUNTING PRINCIPLES**

- A.** For the year ended December 31, 2005 and 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

The Library also implemented GASB Statement No. 37, which clarifies certain provisions of Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program receipts and the criteria for determining major funds, and GASB Statement No. 38, which modifies, establishes and rescinds certain financial statement note disclosures.

**DAYTON LAW LIBRARY ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. CHANGE IN BASIS OF ACCOUNTING PRINCIPLES (Continued)**

- B.** For fiscal year 2005 and 2004, the Library has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposits and Investment Risk Disclosure". GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the Library's financial statements for fiscal year 2005 and 2004.

**4. CALCULATION OF REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED**

In any year that receipts 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. During fiscal years 2005 and 2004 disbursements exceeded program receipts.

**5. DEPOSITS AND INVESTMENTS**

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that have been identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

1. U.S. Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;



**DAYTON LAW LIBRARY ASSOCIATION  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**A. Deposits with Financial Institutions**

At December 31, 2005 and 2004, the carrying amount of the Library deposits was \$14,104 and 8,866. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005 and 2004, the bank balance was \$23,395 and \$106,632 respectively. Of the Library's bank balance, \$6,632 for 2004 was exposed to custodial risk as discussed below, while 100% of the \$23,395 for 2005 and \$100,000 for 2004 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Library's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Library.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Valuable papers;
- Commercial Blanket Bond, Employee Dishonesty

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years.

**DAYTON LAW LIBRARY ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. DEFINED BENEFIT PENSION PLAN**

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2005, 2004, and 2003, the members participated in the traditional plan, and were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 and 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$10,435, \$10,049, and \$10,792 respectively. The full amount has been contributed for 2005, 2004 and 2003. The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

**8. POSTEMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll. 4.00 percent of covered payroll was the portion that was used to fund health care.

**DAYTON LAW LIBRARY ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for the Library for 2005, 2004, and 2003 which were used to fund post-employment benefits were \$4,371, \$4,209, and \$4,520 respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**9. SUBSEQUENT EVENT**

The Library's purpose is to provide access to quality legal resources to the attorneys in Montgomery County and all county officers and the judges of the several courts within Montgomery County pursuant to Ohio Revised Code Section 3375.55 while staying within the restrictions imposed by limited and shrinking funding. The Library relies primarily on traffic fines for operating funds. As a result of HB 66 and HB363, there will be changes to Law Library funding which will begin to impact the Library in calendar year 2007. Beginning January 1, 2007, a four year phase-out of county support in the form of salaries and benefits for the Law Librarian and two assistants will begin. Beginning January 1, 2008, a four year phase-out of county support including free space and utilities as well as book shelving will begin.

**10. REINSTATEMENT OF PRIOR YEAR CASH BALANCE**

During 2003, the Library's cash balance did not include deposit account with Library of congress, US GPO and Petty cash. That resulted in the following reinstatement of cash balance beginning of 2004.

Cash Balance December 31, 2003	\$ 11,997
Deposit Acct – Library of Congress	600
Deposit Acct – US GPO	300
Petty Cash	<u>20</u>
Adjusted Cash Balance December 31, 2003	<u>\$ 12,917</u>

**DAYTON LAW LIBRARY ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**11. LOANS FROM THE ASSOCIATION FUND**

The Dayton Law Library Association is an exempted organization under provisions of 501(c) (3) of the Internal Revenue Code. The Dayton Law Library Association receives membership dues and financial gifts from its members and supporters. These monies are the private funds of the Dayton Law Library Association, not the public monies. These monies are recorded in the Association Fund. Upon approval of the Board of Trustees of the Dayton Law Library Association, which is elected by its membership, the Association Fund periodically loans monies to the Fines Fund (the statutory fund) to assist the Dayton Law Library Association in meeting its statutory requirements. In the event the funds become available in the General Fund, the loans would be repaid.

**12. CONTINGENT LIABILITIES**

The Library is the plaintiff in a lawsuit. On August 15, 2005, the Library's request for a Writ of Mandamus was granted requiring the Clerk of Courts of the Kettering Municipal Court to disburse traffic fine monies collected for the benefit of the Library under Ohio Revised Code Section 3375.53 to the Montgomery County Auditor. The Kettering Clerk of Courts has held the fines due to a dispute between Kettering and Montgomery County over certain court costs. Currently, a total of \$175,812 is payable to the Library. The Kettering Clerk of Courts has filed an appeal with the Ohio Supreme Court.



## 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*

Dayton Law Library Association  
Montgomery County  
Montgomery County Courts Building  
41 North Perry Street  
P. O. Box 972  
Dayton, OH 45422-2490

To the Board of Trustees:

We have audited the financial statements of the governmental activity of the Dayton Law Library Association (the Library), Montgomery County, as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 17, 2006 wherein we noted the Library implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. 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 in order 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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Dayton Law Library Association  
Montgomery 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, 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

August 17, 2006



**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**DAYTON LAW LIBRARY ASSOCIATION**

**MONTGOMERY 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  
SEPTEMBER 12, 2006**