



**LAW LIBRARY ASSOCIATION
ALLEN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004



**Auditor of State
Betty Montgomery**

LAW LIBRARY ASSOCIATION
ALLEN COUNTY

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**Auditor of State
Betty Montgomery**

Law Library Association
Allen County
3233 Spencerville Road
Lima, Ohio 45805

To the Library Board of Trustees:

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, 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 21, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Law Library Association
Allen County
3233 Spencerville Road
Lima, Ohio 45805

To the Library Board of Trustees:

We have audited the accompanying financial statements of the general fund, the retained monies fund and the private monies fund of the Law Library Association, Allen County, (the Library), as of and for the years ended December 31, 2005 and 2004. 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 years ended December 31, 2005 and 2004. Instead of the funds the accompanying financial statements present for 2005 and 2004 the revisions require presenting entity-wide statements for 2005 and 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, 2005 and 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, 2005 and 2004, or its changes in financial position for the year then ended.

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Also in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Library's general fund, the retained monies fund, and the private monies fund as of December 31, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2005 and 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 21, 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.



Betty Montgomery
Auditor of State

November 21, 2006

**LAW LIBRARY ASSOCIATION
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Private Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Fine and Forfeitures	\$265,190			\$265,190
Interest		\$874	\$323	1,197
Miscellaneous Receipts			248	248
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	265,190	874	571	266,635
Cash Disbursements:				
Supplies	354			354
Refunds to Relative Income Sources - See Note 2	14,843			14,843
Legal Publications	199,825			199,825
Other Expenses	6,490			6,490
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	221,512			221,512
Total Cash Receipts Over/(Under) Cash Disbursements	43,678	874	571	45,123
Other Financing Receipts/(Disbursements):				
Remittance to Retained Funds	(1,649)	1,649		
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	42,029	2,523	571	45,123
Fund Cash Balances, January 1	14,284	75,222	27,528	117,034
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$56,313</u>	<u>\$77,745</u>	<u>\$28,099</u>	<u>\$162,157</u>
Encumbrances at December 31	<u>\$34,215</u>	<u>\$0</u>	<u>\$0</u>	<u>\$34,215</u>

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

**LAW LIBRARY ASSOCIATION
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Private Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Fine and Forfeitures	\$261,093			\$261,093
Interest		\$704	\$260	964
Miscellaneous Receipts			596	596
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	261,093	704	856	262,653
Cash Disbursements:				
Supplies	487			487
Refunds to Relative Income Sources - See Note 2	44,831			44,831
Legal Publications	237,981			237,981
Other Expenses	8,343			8,343
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	291,642			291,642
Total Cash Receipts Over/(Under) Cash Disbursements	(30,549)	704	856	(28,989)
Other Financing Receipts				
Remittance to Retained Funds	(4,981)	4,981		
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	(35,530)	5,685	856	(28,989)
Fund Cash Balances, January 1	49,814	69,537	26,672	146,023
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$14,284</u>	<u>\$75,222</u>	<u>\$27,528</u>	<u>\$117,034</u>

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

**LAW LIBRARY ASSOCIATION
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Law Library Association of Allen County (the Library) is governed by a board of five trustees. Members of the Allen County Bar Association elected annually 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 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 Allen 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 Auglaize 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's management believes these financial statements present all public funds for which the Library is financially accountable. The accompanying financial statements also include private monies, see Note 1D.

The Library deems some funds it receives as private monies. Private monies include: membership dues, overdue book charges, and photocopying charges. Fees the Library collects for the use of books and copiers remain private even though the books and copiers may have been purchased with public funds. The Library need not comply with ORC § 3375.54 when disbursing private money. The accompanying financial statements also present private monies.

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.

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

C. Cash and Investments

The Library's accounting basis includes investments as assets. Accordingly, this basis does not record disbursements for investment purchases or receipts for investment sales. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Interest income at the time of maturity is recorded as a receipt.

**LAW LIBRARY ASSOCIATION
ALLEN COUNTY**

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

The retained Monies Fund reports revenue 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 Note 2 for additional information.

3. Private Monies Fund

Private monies include membership dues, overdue book charges, and photocopying charges. Fees collected for book and copier usage remain private even though the books and copiers may have been purchased with public funds. The Library can disburse private monies at its discretion.

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. 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 Note 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
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(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 2005 and 2004, and the amounts that should be refunded and retained in 2006.

Unencumbered Balance at December 31, 2005 To Be Refunded and Retained During Calendar Year 2006	
Unencumbered Balance at December 31, 2005	\$22,098
Calculation for Refund to Relative Sources during 2006	19,888
Calculation of Retained Funds Amount during 2006	\$ 2,210

Unencumbered Balance at December 31, 2004 Refunded and Retained During Calendar Year 2005	
Unencumbered Balance at December 31, 2004	\$14,284
Refunded to Relative Sources during 2005	14,843
Retained Funds Amount during 2005	1,649
Amount Over-refunded/Retained in 2005	(\$ 2,208)

Unencumbered Balance at December 31, 2003 Refunded and Retained During Calendar Year 2004	
Unencumbered Balance at December 31, 2003	\$49,812
Refunded to Relative Sources during 2004	44,831
Retained Fund Amount during 2004	\$ 4,981

The refunds to the political subdivisions and the retained funds were not remitted correctly pursuant to Ohio Revised Code Section 3375.56 for 2004. In addition, the calculations, on the year end balances for the year 2005, for the refunds and retained amount were in error. The Library has encumbered obligations due at December 31, 2005, to correct the error.

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:

	2005	2004
Checking Account	\$ 70,944	\$ 27,266
Business Prime Savings	68,304	67,425
Copy Account	8,806	8,473
5 year Certificate of Deposit	13,731	13,500
Gift Account	372	370
Total Deposits	\$162,157	\$117,034

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

**LAW LIBRARY ASSOCIATION
ALLEN COUNTY**

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

4. RISK MANAGEMENT

The Allen County Law Library Association has obtained insurance for loss due to fire, crime, and inland marine from State Auto Insurance Companies and from Westfield Companies for coverage of the data processing equipment.

Real property is insured through the Allen County Commissioners.



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
Allen County
3233 Spencerville Road
Lima, Ohio 45805

To the Library Board of Trustees:

We have audited the financial statements of the Law Library Association, Allen County, (the Library), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 21, 2006, 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 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. In a separate letter to the Library's management dated November 21, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2005-001.

Law Library Association
Allen 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 audit committee, management, and the 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 21, 2006

**LAW LIBRARY ASSOCIATION
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER - 2005-001

Refunds/Retained Distributions

Ohio Rev Code Section 3375.56 states the Board of Trustees of the Law Library Association shall make a detailed statement to the county auditor of the amount of the fines and penalties received under Ohio Revised Code Sections 3375.50 through 3375.53, inclusive, and the money expended by the Association. If the total amount received under such sections during the preceding calendar year exceeds expenditures during the same time period, the auditor shall certify such fact to the board which shall direct the treasurer of the association to refund proportionately to the political subdivisions from which the balance was received, not less than ninety percent of any unencumbered balance on hand from the preceding year.

The statement certified to the County Auditor included inaccurate revenues and expenditures and did not reconcile with the year bank balances which resulted in an increase in the amount calculated, by \$2,208 to be returned to the subdivisions for 2004 and a decrease in the amount calculated by \$36,423 to be returned to the subdivisions for 2005. In addition, the County Auditor used revenue from all sources rather than only the court fine revenue to calculate the refunds, which resulted in an increase in the amount calculated to be returned to the subdivisions.

Not verifying the amounts on the cash flow statement submitted to the County Auditor through reconciling the revenues and expenditures with supporting records and the ending balances with the bank statements resulted in errors in calculations due to the submission of inaccurate figures. In addition, the use of all revenue for the calculation rather than just the fine revenue less eligible expenditures also resulted in calculation errors.

The Law Library chose to offset the error in calculations by using the under payment of \$36,423 offset by the 2004 overpayment of \$2,208 in December 31, 2005 obligations of \$34,215 as encumbrances against the ending fund balance to reduce the amount required to be distributed.

Officials Response:

The statement submitted to the County Auditor for the year end distributions will be verified prior to its submission and the beginning bank balance plus revenue minus the expenditures will be agreed to the reconciled ending bank balance. Revenues other than fine revenues will be removed from the revenue total prior to submission to the county auditor.



**Auditor of State
Betty Montgomery**

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LAW LIBRARY ASSOCIATION

ALLEN 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 19, 2006**