



**LAW LIBRARY ASSOCIATION  
HENRY COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**



**Mary Taylor, CPA**  
Auditor of State



**LAW LIBRARY ASSOCIATION  
HENRY COUNTY**

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# Mary Taylor, CPA

Auditor of State

Law Library Association  
Henry County  
609 North Perry Street  
Napoleon, Ohio 43545-1798

To the 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 an 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 adverse 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

September 19, 2008

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Law Library Association  
Henry County  
609 North Perry Street  
Napoleon, OH 43545-1798

To the Board of Trustees:

We have audited the accompanying financial statements of the general fund and retained monies fund of the Law Library Association, Henry County, (the Library) as of and for the years ended December 31, 2007 and 2006. 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 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 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.

GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Law Library Association, Henry County's general fund and retained monies fund as of December 31, 2007 and 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 September 19, 2008 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.



**Mary Taylor, CPA**  
Auditor of State

September 19, 2008



**LAW LIBRARY ASSOCIATION  
HENRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PUBLIC FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Fine and Forfeitures	\$79,391		\$79,391
<b>Cash Disbursements:</b>			
Salaries	1,576		1,576
Employee Fringe Benefits	645		645
Periodicals	57,917		57,917
Refunds to Relative Income Sources - See Note 2	18,360		18,360
Utilities	651		651
Other	6,200		6,200
Total Cash Disbursements	85,349		85,349
Total Cash Disbursements Over Cash Receipts	(5,958)		(5,958)
<b>Other Financing Receipts/(Disbursements):</b>			
Remittance to Retained Funds	(3,129)		(3,129)
Remittance from General Fund		\$3,129	3,129
Total Other Financing Receipts/(Disbursements)	(3,129)	3,129	
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(9,087)	3,129	(5,958)
Public Fund Cash Balances, January 1	31,286	8,827	40,113
<b>Public Fund Cash Balances, December 31</b>	<b>\$22,199</b>	<b>\$11,956</b>	<b>\$34,155</b>

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

**LAW LIBRARY ASSOCIATION  
HENRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PUBLIC FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
<b>Cash Receipts:</b>			
Fine and Forfeitures	\$97,364		\$97,364
<b>Cash Disbursements:</b>			
Salaries	1,507		1,507
Employee Fringe Benefits	542		542
Periodicals	60,607		60,607
Utilities	660		660
Refunds to Relative Income Sources - See Note 2	10,886		10,886
Other	2,762		2,762
Total Cash Disbursements	76,964		76,964
Total Cash Receipts Over Cash Disbursements	20,400		20,400
<b>Other Financing Receipts/(Disbursements):</b>			
Remittance to Retained Funds	(1,209)		(1,209)
Remittance from General Fund		\$1,209	1,209
Total Other Financing Receipts/(Disbursements)	(1,209)	1,209	
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	19,191	1,209	20,400
Public Fund Cash Balances, January 1	12,095	7,618	19,713
<b>Public Fund Cash Balances, December 31</b>	<b>\$31,286</b>	<b>\$8,827</b>	<b>\$40,113</b>

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

**LAW LIBRARY ASSOCIATION  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Law Library Association is governed by a board of three trustees. Members of the Henry 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 law books; 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 Henry County Commissioners to provide adequate facilities for the Library, including suitable bookcases, heating and lighting for the rooms.

The Board of Trustees elects a librarian and not more than two assistant law librarians. The Judges of the Court of Common Pleas of Henry County fix these librarians' compensation pursuant to ORC § 3375.48. The county treasury paid the Librarian's salary for 2006 and 2007.

Pursuant to House Bill 363 and House Bill 66, beginning January 1, 2007, Ohio Rev. Code Section 3375.49 requires law libraries to pay 20% of the compensation for their librarian and up to two assistants from their own funds. The law library's funding obligation increases by 20 percentage points annually. Therefore beginning January 2, 2011, law libraries must pay 100% of these librarians compensation from law library funds. The Henry Law Library failed to assume 20% of this funding obligation as required by ORC Section 3375.49.

The Library's management believes these financial statements present all public funds for which the Library is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis 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. 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:

**LAW LIBRARY ASSOCIATION  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**1. General Fund**

The General Fund reports 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.

**D. Property, Plant, and Equipment**

The Library records disbursements for acquisitions of property, plant, and equipment 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.

**E. 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.

**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 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 2007 and 2006.

Refunded and Retained During Calendar Year 2007	
Unencumbered Balance at December 31, 2006	\$31,286
Refunded to Relative Sources during 2007	(18,360)
Refunds not remitted in 2007	(9,797)
Retained Funds Amount during 2007	\$3,129

Unencumbered Balance at December 31, 2005 Refunded and Retained During Calendar Year 2006	
Unencumbered Balance at December 31, 2005	\$12,095
Refunded to Relative Sources during 2006	(10,886)
Retained Funds Amount during 2006	\$1,209

**LAW LIBRARY ASSOCIATION  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**2. REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED – (CONTINUED)**

The Law Library Association failed to remit \$9,797 for 2006 due in 2007 and \$9,642 for 2007 due in 2008 of the refundable excess to the contributing political subdivisions.

**3. EQUITY IN POOLED CASH**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$34,155</u>	<u>\$40,113</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**4. RETIREMENT SYSTEMS**

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 percent and 9 percent, respectively, of their gross salaries and the Library contributed an amount equaling 13.85 percent and 13.7 percent, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2007.

**5. RISK MANAGEMENT**

The Law Library's commercial insurance is provided by the Henry County Commissioners, as their location is in the Henry County Courthouse.

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# Mary Taylor, CPA

Auditor of State

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

Law Library Association  
Henry County  
609 North Perry Street  
Napoleon, Ohio 43545-1798

To the Board of Trustees:

We have audited the financial statements of the Law Library Association, Henry County, (the Library) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 19, 2008, wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and the financial statement only include the general and 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal controls over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We noted certain matters that we reported to the Library's management in a separate letter dated September 19, 2008.

#### **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 2007-001 and 2007-002.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated September 19, 2008.

We intend this report solely for the information and use of management and Board of Trustees. We intend for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 19, 2008



**LAW LIBRARY ASSOCIATION  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Finding for Recovery**

Ohio Revised Code § 3375.56 states on the first Monday of each year, the board of trustees of the law library association shall make a detailed statement to the county auditor, verified by the oath of the treasurer of the association, of the amount of the fines and penalties received under sections 3375.50 to 3375.53, inclusive of the Revised Code, and of the money expended by the association.

If the total amount received under such sections during the preceding calendar year covered by such report exceeds the expenditures during the same period, the auditor shall certify such fact to the board which shall thereupon direct the treasurer of the association to refund proportionately to the treasurers of the political subdivisions from which such balance was received, not less than ninety percent of any unencumbered balance on hand from the preceding year.

The percentage calculation used in pro-rating the amount of refund due to the City of Napoleon and Henry County was incorrect. Refunds paid to the City of Napoleon and Henry County were recorded as expenditures in the 2006 and 2007 percentage calculations. This resulted in the Law Library Association making underpayment of refunds to these entities for 2007 and 2008:

	<u>2006 Refund Paid in 2007</u>	<u>2007 Refund Paid in 2008</u>	<u>Total</u>
<u>Henry County</u>			
Refund Recalculated	\$ 19,428.76	\$ 6,749.50	\$ 26,178.26
Refund Paid	(12,668.74)		(12,668.74)
Amount Underpaid	6,760.02	6,749.50	13,509.52
<u>City of Napoleon</u>			
Refund Recalculated	8,728.86	2,892.64	11,621.50
Refund Paid	(5,691.75)		(5,691.75)
Amount Underpaid	3,037.11	2,892.64	5,929.75
 Total Amount Underpaid	 \$ 9,797.13	 \$ 9,642.14	 \$ 19,439.27

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies collected but not accounted for is hereby issued against the Henry County Law Library Association in the amount of nineteen thousand, four hundred thirty-nine dollars and twenty-seven cents (\$19,439.27), and in favor of Henry County in the amount of thirteen thousand, five hundred nine dollars and fifty-two cents (\$13,509.52) and the City of Napoleon in the amount of five-thousand, nine-hundred twenty-nine dollars and seventy-five cents (\$5,929.75).

**Officials' Response:** The Law Librarian reviewed past audits and did not find prior findings for calculating the political subdivision refund. It is the Law Librarian's recollection that the calculation has been made with the same formula for at least 17 years with no findings concerning using the political subdivision refund as an expenditure.

The Library will make the necessary refunds to the City of Napoleon and Henry County.

## FINDING NUMBER 2007-002

### Finding for Recovery

Ohio Revised Code Section 3375.49 provides the board of trustees of a law library association is responsible for paying twenty percent of the compensation of a librarian and up to two assistant librarians for calendar year 2007. In interpreting the components of compensation, 2007 Op. Att'y Gen. No. 2007-012 states that mandatory employer contributions to the Ohio Public Employees Retirement System cannot be considered compensation under the language of Ohio Rev. Code § 3375.49. These contributions are the sole obligation of the county law library association as employer, and are not compensation subject to allocation between the law library association and county under Ohio Rev. Code § 3375.49.

The Law Library failed to pay \$1,000 or 20% of the Librarian's \$5,000 earnable salary for 2007. Additionally, the Law Library did not pay the \$689.41 employer portion of the contribution to the Ohio Public Employees Retirement System on the 2007 earnable salary of the Librarian. These obligations, instead, were paid by Henry County.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due but not collected is hereby issued against the Henry Law Library Association in the amount of one thousand, six hundred and eighty nine dollars and forty-one cents (\$1,689.41), in favor of Henry County General Fund.

**Officials' Response:** The Library will make the necessary refunds to Henry County and will make the appropriate changes to assume the proportional share of the Librarian's compensation and all the PERS liability.

## FINDING NUMBER 2007-003

### Refunds to Relative Income Sources – Significant Deficiency

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".

In 2006 and 2007 due to errors in the calculation of the amounts to be returned the Law Library underpaid the refunds due by \$19,439.27 (See finding 2007-001). This could cause the Law Library to expended funds they are not entitled to resulting in negative cash balances.

To reduce the possibility of over expending the Library funds and to ensure the correct amounts are refunded to the contributing political subdivisions, we recommend the Library establish procedures to ensure the amounts to be refunded are properly calculated. In addition, we recommend a final review of the calculations be made by the Board of Trustees prior to remitting the refunds.

**Officials' Response:** Management will implement a final review process to check for proper calculation of the refund amounts.



**Mary Taylor, CPA**  
Auditor of State

**LAW LIBRARY ASSOCIATION**

**HENRY 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  
OCTOBER 14, 2008**