



**LAW LIBRARY ASSOCIATION  
KNOX COUNTY**

**REGULAR AUDIT**

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



**Mary Taylor, CPA**  
Auditor of State



LAW LIBRARY ASSOCIATION  
KNOX COUNTY

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# Mary Taylor, CPA

Auditor of State

Law Library Association  
Knox County  
117 East High Street, Suite B 142  
Mount Vernon, Ohio 43050

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 Library 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 21, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Law Library Association  
Knox County  
117 East High Street Suite B 142  
Mount Vernon, Ohio 43050

To the Board of Trustees:

We have audited the accompanying financial statements of the Law Library Association, Knox County, Ohio, (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 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 and reserves for encumbrances of the Law Library's funds 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 October 21, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 21, 2008



**LAW LIBRARY ASSOCIATION  
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL 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	\$ 54,469	\$ -	\$ 54,469
Reimbursements	836	-	836
Total Cash Receipts	<u>55,305</u>	<u>-</u>	<u>55,305</u>
<b>Cash Disbursements:</b>			
Supplies and Materials	57,056	-	57,056
Bank Charges	10	-	10
Purchased Service	2,061	-	2,061
Law Librarian Salary	174	-	174
Total Cash Disbursements	<u>59,301</u>	<u>-</u>	<u>59,301</u>
Total Cash Receipts (Under) Cash Disbursements	(3,996)	-	(3,996)
Public Fund Cash Balances, January 1	<u>10,304</u>	<u>100</u>	<u>10,404</u>
<b>Public Fund Cash Balances, December 31</b>	<b><u>\$ 6,308</u></b>	<b><u>\$ 100</u></b>	<b><u>\$ 6,408</u></b>
Reserves for Encumbrances, December 31	<u>\$ 11,971</u>	<u>\$ -</u>	<u>\$ 11,971</u>

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

**LAW LIBRARY ASSOCIATION  
KNOX COUNTY**

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

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Fine and Forfeitures	\$ 58,304	\$ -	\$ 58,304
Reimbursements	250		250
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	58,554	-	58,554
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Supplies and Materials	49,533	-	49,533
Bank Charges	14	-	14
Purchased Service	961	-	961
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	50,508	-	50,508
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	8,046	-	8,046
	<hr/>	<hr/>	<hr/>
Public Fund Cash Balances, January 1	2,258	100	2,358
	<hr/>	<hr/>	<hr/>
<b>Public Fund Cash Balances, December 31</b>	<b>\$ 10,304</b>	<b>\$ 100</b>	<b>\$ 10,404</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31	\$ 10,300	\$ -	\$ 10,300
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*The notes to the financial statements are an integral part of this statement.*

**LAW LIBRARY ASSOCIATION  
KNOX COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Knox County Law Library (the Library) is governed by four board of trustees. Members of the Knox 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 (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 Knox County Commissioners to provide adequate facilities for the Library, including suitable bookcases, heating and lighting for the rooms.

The Board of Trustees hires a librarian. The Judges of the Court of Common Pleas of Knox 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 County treasury paid the Librarian's salary for 2006 and 80% in 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 librarians and up to two assistants from their own funds. The Library's funding obligation increases by 20% annually. Therefore beginning January 2, 2011, Law Libraries must pay 100% of these librarians compensation from law library funds. In 2007, the Law Library paid the 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

The Library maintained a non-interest bearing checking account during the audit period.

**LAW LIBRARY ASSOCIATION  
KNOX COUNTY**

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

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

**D. Fund Accounting**

The Library uses fund accounting to segregate cash that are restricted as to use. The Library classifies its funds into the following types:

**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.

**E. Budgetary Process**

The Ohio Revised Code does not require the Library to budget annually. However, under Ohio Revised Code § 3375.56 the Library may encumber funds equal to their commitments outstanding at year end. Encumbrances outstanding at year end are carried over to the subsequent year.

**F. Property, Plant, and Equipment**

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**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".

In both fiscal years 2007 and 2006 the Library's disbursements plus reserved for encumbrances exceeded its revenues therefore, no unencumbered balance remained to be refunded.

**3. EQUITY IN POOLED CASH**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$6,408</u>	<u>\$10,404</u>

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

**LAW LIBRARY ASSOCIATION  
KNOX COUNTY**

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

**4. RETIREMENT SYSTEMS**

During 2007, the Law Library began complying with Ohio Revised Code Section 3375.49 which requires the payment of compensation of the Law Librarian and up to two assistants to transfer from the County Board of Commissioners to the Board of Trustees of the Law Library. This law requires the Board of Trustees to assume responsibility over the course of time and up to 100% of these salaries by the year 2011. The Law Library has met its obligation in 2007 by assuming 20% as required by this Ohio Revised Code Section.

The Library's employee belongs 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, OPERS members contributed 9.5 percent, respectively, of their gross salaries and the Law Library contributed an amount equaling 13.85 of participants' gross salaries. The Law Library has paid all contributions required through December 31, 2007.

**5. RISK MANAGMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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

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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  
Knox County  
117 East High Street, Suite B 142  
Mount Vernon, Ohio 43050

To the Board of Trustees:

We have audited the financial statements of the Law Library Association, Knox County, Ohio, (the Library) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 21, 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. 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 first paragraph of this section 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 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 none of the significant deficiencies described above are material weaknesses.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item: 2007-001.

We did note a certain noncompliance or other matter that we reported to the Library's management in a separate letter dated October 21, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

October 21, 2008



**LAW LIBRARY ASSOCIATION  
KNOX 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**

**Filing of annual report – Noncompliance**

Ohio Rev. Code Section 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 per cent of any unencumbered balance on hand from the preceding year.

Also, in accordance with Ohio Rev. Code Section 117.38, all cash-basis entities must file annual reports with the Auditor of State within 60 days of fiscal year end.

The Law Library did not submit its annual report to the Knox County Auditor or Auditor of State for fiscal years 2007 and 2006 as required.

The Board should submit an annual report to the Knox County Auditor at the end of each fiscal year and file an annual report with the Auditor of State within 60 days of its fiscal year end.

**FINDING NUMBER 2007-002**

**Board Monitoring/Audit Committee – Significant Deficiency**

Implementing internal controls is an important responsibility of management. In addition, the Board must periodically monitor management's control procedures to verify they are functioning effectively. To serve as informed overseers of the financial reporting process, the Board of Trustees, at minimum, should periodically convene to perform the following functions:

- Review monthly financial reports
- Review monthly reconciliations
- Review the financial statements
- Approve financial transactions
- Assure that audit results are addressed

There was no documentation to indicate the Board of Trustees met during the audit period.

**LAW LIBRARY ASSOCIATION  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-002 (Continued)**

**Board Monitoring/Audit Committee – Significant Deficiency (Continued)**

By not reviewing monthly reports and reconciliations and not being involved in the operations of the Library, errors and irregularities could occur and not be detected in a timely manner.

It is vital that there is Board oversight in an entity that lacks segregation of duties as all accounting functions of the Library are controlled by one individual. We recommend the Board meet on a quarterly basis to monitor Library financial activity and document their review in the minute record.

**FINDING NUMBER 2007-003**

**Recordkeeping and Bookkeeping - Significant Deficiency**

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensuring that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed and maintained.
- Ensure adequate security for assets.
- Adequate segregation of duties.
- Periodically reconciling valuation of assets to the accounting records.
- Performing analytical procedures over financial data as a part of the overall monitoring process by the Board
- Ensuring timely compilation of date for timely preparation of financial statements.

The following internal control weaknesses were noted over departmental operations:

- a. Invoices were not kept in a reasonable order with a reference to a check number and several invoices for recurring transactions could not be located.
- b. Running balances were not maintained in the check register in 2006 and 2007.
- c. Monthly reconciliations were not performed during the audit period.
- d. Receipts were posted to the ledgers without supporting documentation.

**LAW LIBRARY ASSOCIATION  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS-(Continued)</b></p>
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**FINDING NUMBER 2007-003 (Continued)**

**Recordkeeping and Bookkeeping - Significant Deficiency (Continued)**

The above weaknesses can result in an inability to manage and monitor the Library's operations in an effective manner and the ability to pay bills as they become due.

To strengthen internal controls, we recommend:

- a. Original invoices should be retained to document each disbursement made, with corresponding reviews of the invoices being evident (approval of invoice by initials and date, check number and date of the invoice paid, etc.).
- b. Check registers should be maintained with a running balance to ensure that funds are available for expenditure and that monthly reconciliations may be performed.
- c. Monthly bank reconciliations should be performed to document the reconciliation of the fund balances to the bank balance(s) and should be presented to the Board of Trustees on a regular basis.
- d. All receipts posted to the ledgers should have supporting documentation and retained for audit.

**Officials' Response:** We did not receive a response from Officials to the above findings.

**LAW LIBRARY ASSOCIATION  
KNOX COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Rev. Code Section 3375.49 – Payment of Sales tax	No	Reissued in Management Letter
2005-002	Recording and Bookkeeping	No	Reissued as 2007-003
2005-003	Board Monitoring/Auditor Committee	No	Reissued as 2007-002



**Mary Taylor, CPA**  
Auditor of State

**LAW LIBRARY ASSOCIATION**

**KNOX 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 18, 2008**