



Mary Taylor, CPA
Auditor of State

**SHELBY COUNTY LAW LIBRARY
SHELBY COUNTY**

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Mary Taylor, CPA

Auditor of State

Shelby County Law Library
Shelby County
Courtview Center – Suite 300
100 South Main Street
Sidney, Ohio 45365

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.

A handwritten signature in black ink that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 19, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Shelby County Law Library
Shelby County
Courtview Center – Suite 300
100 South Main Street
Sidney, Ohio 45365

To the Board of Trustees :

We have audited the accompanying financial statements of the Shelby County Law Library, Shelby 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 requires 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.

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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 and reserves for encumbrances of Shelby County Law Library, Shelby County, 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 May 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

May 19, 2008

SHELBY 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>
Cash Receipts:			
Fine and Forfeitures	\$130,560		\$130,560
Interest		\$27	27
Miscellaneous Receipts	20		20
Total Cash Receipts	<u>130,580</u>	<u>27</u>	<u>130,607</u>
Cash Disbursements:			
Supplies and Materials	123,579		123,579
Purchased Services	525		525
Other	12		12
Total Cash Disbursements	<u>124,116</u>	<u>0</u>	<u>124,116</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>6,464</u>	<u>27</u>	<u>6,491</u>
Fund Cash Balances, January 1	<u>0</u>	<u>3,152</u>	<u>3,152</u>
Fund Cash Balances, December 31	<u>\$6,464</u>	<u>\$3,179</u>	<u>\$9,643</u>
Reserves for Encumbrances, December 31	<u><u>\$2,022</u></u>	<u><u>\$0</u></u>	<u><u>\$2,022</u></u>

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

**SHELBY COUNTY LAW LIBRARY
SHELBY COUNTY**

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

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
Cash Receipts:			
Fine and Forfeitures	\$135,584		\$135,584
Interest		\$77	77
Miscellaneous Receipts	3		3
Total Cash Receipts	135,587	77	135,664
Cash Disbursements:			
Supplies and Materials	132,221	13,951	146,172
Refunds to Relative Income Sources - See Note 1.G	6,822		6,822
Purchased Services	2,529		2,529
Travel Reimbursements	277		277
Other	34		34
Total Cash Disbursements	141,883	13,951	155,834
Total Cash Receipts Over/(Under) Cash Disbursements	(6,296)	(13,874)	(20,170)
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(758)	758	0
Refunds from Vendors	1,605		1,605
Total Other Financing Receipts/(Disbursements)	847	758	1,605
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(5,449)	(13,116)	(18,565)
Fund Cash Balances, January 1	5,449	16,268	21,717
Fund Cash Balances, December 31	\$0	\$3,152	\$3,152

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

**SHELBY COUNTY LAW LIBRARY
SHELBY COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Shelby County Law Library (the Library) is governed by a board of five trustees. Members of the Shelby County Bar Association 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 Shelby 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 and an assistant law librarian. The Judges of the Court of Common Pleas of Shelby 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.

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's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**SHELBY COUNTY LAW LIBRARY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2008
(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 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 3 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.

G. Refund to Relative Income Sources

If certain conditions are met, Ohio Revised Code § 3375.56 requires the Library to refund at least ninety percent of any unencumbered balance to political subdivisions that provided revenues to the Library. See Footnote 3 for additional information

2. 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 was as follows:

	2007	2006
Demand deposits	<u>\$9,643</u>	<u>\$3,152</u>

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

**SHELBY COUNTY LAW LIBRARY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2008
(Continued)**

3. 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 2006. There were no monies to refund during 2007 as of December 31, 2006.

Unencumbered Balance at December 31, 2005 Refunded and Retained During Calendar Year 2006	
Unencumbered Balance at December 31, 2005 (see note 5)	\$7,580
Refunded to Relative Sources during 2006	6,822
Retained Funds Amount during 2006	\$758

4. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Valuable papers and records coverage;
- Equipment; and
- Errors and omissions.

5. Prior Period Adjustment

December 31, 2005 audited ending balances for General Fund and Retained Monies Fund were \$5,449 and \$16,269 respectively. These balances were a result of an audit adjustment of \$2,131 to decrease General Fund balance and increase Retained Monies Fund balance. The Law Library did not make this adjustment to their fund ledgers which resulted in the 2006 beginning ledger balance for General Fund to be over stated and Retained Monies beginning fund balance to be under stated. The audited financial statements presented reflect the prior period adjustment to the fund balances.

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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*

Shelby County Law Library Association
Shelby County
Courtview Center – Suite 300
100 South Main Street
Sidney, Ohio 45365

To the Board of Trustees:

We have audited the financial statements of the Shelby County Law Library, Shelby County, (the Library) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 19, 2008, 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 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 control 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.

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We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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. However, we believe the significant deficiency described above, finding number 2007-001, is also a material weakness.

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 matters we must report under *Government Auditing Standards* which is 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 May 19, 2008

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



Mary Taylor, CPA
Auditor of State

May 19, 2008

**SHELBY COUNTY LAW LIBRARY
SHELBY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007- 001

Material Noncompliance / Material Weakness

Ohio Admin. Code Section 117-2-02 (A) states that all public offices will maintain an accounting system and accounting records sufficient to enable the Law Library to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-02-03 of the Administrative Code.

The annual financial reports filed by the Law Library for 2007 and 2006 were inaccurate and incomplete. The beginning and ending General Fund balances were not correctly reported for both years since the 2005 ending audited balances were not included. The 2006 General Fund and Retained Monies Fund beginning ledgers required an adjustment of \$2,131. In addition, the Library omitted disbursements of \$300 in 2006.

Year end bank reconciliation to the Law Library's financial statements was not performed during the audit period. Although the bank activity was reconciled to the check register, it was not reconciled to the manual ledgers or to the financial statements as presented.

Financial statements presented in this manner prevent users of the Law Library's financial reports from having reliable information regarding the available fund balances. Reconciliations between bank statements and the ledgers are a basic control to ensure the accuracy of the recording of financial activity. Errors and irregularities could go undetected in the normal course of business or not be corrected timely without proper reconciliations being performed.

The Treasurer should maintain the fund balances of the Law Library funds accurately, use due care in posting, and maintain subsidiary ledgers to provide for proper presentation on the annual reports. Reconciliations should be reviewed and approved by the Board and maintained to support the activity as presented by the Law Library.

Officials Response:

We received no response from officials.



Mary Taylor, CPA
Auditor of State

LAW LIBRARY ASSOCIATION

SHELBY 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
JULY 24, 2008**