



Mary Taylor, CPA
Auditor of State

**DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Dayton Law Library Association, Montgomery County, (the Library), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of the Dayton Law Library Association, Montgomery County, as of December 31, 2009 and 2008, and the respective changes in cash financial position for the General and Retained Monies funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 1, per HB 420 of the 127th General Assembly, the Library must transfer its public cash and property purchased with public funds to the County on or before January 1, 2010. Effective January 1, 2010, the county will report the Law Library operations in a Law Library Resources Special Revenue Fund (LLRF). These LLRF transactions will be included within the scope of the county audit for fiscal year ending December 31, 2010 and subsequent years.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2010, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

May 25, 2010

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

This discussion and analysis of the Dayton Law Library Association's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2009, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2009 are as follows:

- Cash decreased in the governmental activities by \$1,730.
- The Library's program revenues are received primarily from court traffic fines from the Municipal and County Courts through the Montgomery County Auditor. Additionally, per the Ohio Revised Code, a total of \$1,250 per year is collected from the Montgomery County Clerk of Court. Fines are also received from the Montgomery County Juvenile Court through the Montgomery County Auditor and from Fiscal Officers of Municipalities where there is a Municipal Court.
- Receipts from fines and forfeitures pursuant to Ohio Revised Code Sections 3375.50-53 totaled \$837,629. Program receipts decreased 6.4% from 2008.
- Expenses for Information Resources amounted to \$526,375. Personal Services expenses totaled \$192,500. General Expenses totaled \$39,256. Personal Services expenses include \$19,170 reimbursed to Montgomery County for 40% of the 2008 salary costs for the Law Librarian and one Assistant Law Librarian.
- At year end, \$85,000 was transferred from the Library to the newly formed County Law Library Resources Fund into the Montgomery County Treasury pursuant to the provisions of HB 420 of the 127th General Assembly. Also, pursuant to HB 420 of the 127th assembly, all property of the Association identified as being purchased with government funds was transferred to the Montgomery County Law Library Resources Board. See note 7 to the financial statements.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Dayton Law Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)
(Continued)**

Basis of Accounting

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

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

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2009, within the limitations of cash basis of accounting. The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include fines and forfeitures paid by the courts to the Library. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

The statement of net assets and statement of activities present only governmental activities which includes all the Library's services. Fines and forfeiture receipts finance most of these activities.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

All the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The Library's two major governmental funds are the General Fund and Retained Monies Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)
(Continued)**

The Government as a Whole

Table 1 provides a summary of the Library's net assets for 2009 compared to 2008 on a cash basis.

**(Table 1)
Net Assets**

	Governmental Activities	
	2009	2008
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$7,619	\$9,349
Total Assets	<u>7,619</u>	<u>9,349</u>
Net Assets:		
Unrestricted	7,619	9,349
Total Net Assets	<u>\$7,619</u>	<u>\$9,349</u>

As mentioned previously, net assets of governmental activities decreased \$1,730 or 18.5 percent during 2009. The primary reason contributing to the decrease in the cash balance was the \$85,000 transfer of cash to the County Law Library Resources Fund.

Table 2 reflects the changes in net assets on a cash basis in 2009 and 2008 for governmental activities.

**(Table 2)
Changes in Net Assets**

	Governmental Activities	
	2009	2008
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$837,629	\$894,923
General Receipts:		
Miscellaneous	3,412	
Interest	360	706
Total General Receipts	<u>3,772</u>	<u>706</u>
Total Receipts	<u>841,401</u>	<u>895,629</u>
Disbursements:		
Library Services:		
Information Resources	526,375	590,646
Personal Services	192,500	231,221
General Expenses	39,256	74,160
Remittance to Montgomery County	85,000	
Total Disbursements	<u>843,131</u>	<u>896,027</u>
Increase (Decrease) in Net Assets	(1,730)	(398)
Net Assets, January 1	9,349	9,747
Net Assets, December 31	<u>\$ 7,619</u>	<u>\$ 9,349</u>

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)
(Continued)**

For 2009, program revenues in the Library's governmental fund include fines received pursuant to the provisions of the Ohio Revised Code providing for the operation of county law libraries.

For 2009, program expenses for the Library's governmental funds represent the overhead costs of running the Library. These include the costs of information resources, personal services including amounts reimbursed to Montgomery County for county paid salaries, and general expenses.

Current Issues

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

At the end of 2008, HB 420 was passed by the Ohio Legislature providing for the transfer of management and governance of county law library associations to publicly-appointed boards to be known as county law library resources boards. Management by the new boards was to take place effective January 1, 2010, with several transition activities to be handled before the end of 2009. HB 420 also reconstituted the Task Force on County Law Library Reform to address and offer assistance with transition duties through December of 2010. See note 7 of the financial statements for the transfer of assets and personal property.

Contacting the Government's Financial Management

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

**DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2009**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$7,619
Total Assets	<u>7,619</u>
Net Assets:	
Unrestricted	7,619
Total Net Assets	<u>\$7,619</u>

See accompanying notes to the basic financial statements.

**DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>
Governmental Activities:		
Library Services:		
Information Resources	\$526,375	\$526,375
Personal Services	192,500	192,500
General Expenses	39,256	\$79,498
Remittance of Assets to Montgomery County	85,000	(85,000)
Total Governmental Activities	<u><u>\$843,131</u></u>	<u><u>(5,502)</u></u>
General Receipts:		
Miscellaneous Income		3,412
Interest		360
Total General Receipts		<u>3,772</u>
Extraordinary Item - See Note 8		<u> </u>
Total General Receipts and Extraordinary Item		3,772
Change in Net Assets		(1,730)
Net Assets Beginning of Year		<u>9,349</u>
Net Assets End of Year		<u><u>\$7,619</u></u>

See accompanying notes to the basic financial statements.

**DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Retained Monies Fund	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$6,553	\$1,066	\$7,619
Total Assets	6,553	1,066	7,619
 Fund Balances:			
Unreserved:			
Undesignated, Reported in:			
General Fund	6,553		6,553
Special Revenue Fund		1,066	1,066
Total Fund Balances	\$6,553	\$1,066	\$7,619

See accompanying notes to the basic financial statements.

**DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Retained Monies Fund</u>	<u>Total Governmental Funds</u>
Receipts:			
Fines and Forfeitures	\$837,629		\$837,629
Miscellaneous Income	3,412		3,412
Interest Income		\$360	360
Total Receipts	<u>841,041</u>	<u>360</u>	<u>841,401</u>
Disbursements:			
Current:			
Library Services:			
Information Resources	526,375		526,375
Personal Services	192,500		192,500
General Expenses	39,256		39,256
Total Disbursements	<u>758,131</u>		<u>758,131</u>
Excess of Receipts Over Disbursements	<u>82,910</u>	<u>360</u>	<u>83,270</u>
Other Financing Uses:			
Remittance to Montgomery County (See note 7)	<u>(85,000)</u>		<u>(85,000)</u>
Net Change in Fund Balances	(2,090)	360	(1,730)
Fund Balances Beginning of Year	<u>8,643</u>	<u>706</u>	<u>9,349</u>
Fund Balances End of Year	<u><u>\$6,553</u></u>	<u><u>\$1,066</u></u>	<u><u>\$7,619</u></u>

See accompanying notes to the basic financial statements.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

1. REPORTING ENTITY

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

The Library operates by receiving a portion of fine and forfeiture monies from the courts under Ohio Revised Code (ORC) Sections 3375.50 to 3375.53, inclusive. 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 Montgomery 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 not more than two assistant law librarians. The Judges of the Court of Common Pleas of Montgomery 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.

Ohio Rev. Code Section 3375.48 during 2009, made the county commissioners responsible for compensating the librarian and up to two assistants and for the costs of the space and utilities. During 2008, the county commissioners were responsible for 60% of the librarian's and assistant's compensation and for 80% of the costs of the space and utilities for the law library as required by Ohio Rev. Code Section 3375.49.

As of January 1, 2010, a Law Library Resources Board (LLRB) will govern county law libraries. Each county will establish a county law library resources fund (LLRF) as required by Ohio Revised Code Section 307.514. On or before January 1, 2010 the Library must transfer money and property purchased with fine and penalties monies to the LLRB. Expenditures from the LLRF fund shall be made pursuant to the annual appropriation measure adopted by the commissioners.

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

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

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service for which the Library is responsible. Program receipts include fines and forfeitures paid by the Courts to the Library. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each object is self-financing on a cash basis or draws from the Library's general receipts.

2. Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds to aid in financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

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

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

The Library classifies all funds as governmental funds. The Library's major governmental funds are the General Fund and Retained Monies Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The Retained Monies Fund consists of monies retained by the Library under Ohio Revised Code § 3375.56. At the end of each calendar year the Library is permitted under law to retain up to ten percent of their unencumbered balance.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

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

D. Cash and Investments

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

During 2009 the Law Library Association maintained an interest bearing checking account. Interest earnings are allocated to the Library funds according to state statute. Interest receipts credited to the Retained Monies Fund during 2009 was \$360.

E. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements. The insured value of the collection at December 31, 2009 was \$2,910,265.

F. Capital Assets

The Library records disbursements for equipment acquisitions when paid. The accompanying financial statements do not report these items as assets. The Library deems computers, copiers, fax machines, and other items related toward facilitating the use of equipment as equipment. The insured value of equipment was \$47,954 at December 31, 2009.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting. Ohio Attorney General Opinion 2007-012 clarified the matter of accrued sick and vacation leave for library employees paid by the county prior to the phase out of county support for salaries which began January 1, 2007. Sick and vacation leave balances accrued prior to January 1, 2007 remain the obligation of Montgomery County for the Law Librarian and Assistant Law Librarian.

H. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 5 and 6, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Budgetary Process

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

3. DEPOSITS

Monies held by the Library are classified by State statute into three categories.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

3. DEPOSITS (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

A. Deposits with Financial Institutions

At December 31, 2009, the carrying amount of the Library deposits was \$7,619. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, the bank balance was \$14,928. Of the Library's bank balance, 100% of the \$14,928 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$14,928 of the Library's bank balance of \$14,928 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging institutions trust department or agent, but not in the Library's name.

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

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

4. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

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

5. DEFINED BENEFIT PENSION PLAN

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2009, OPERS members were required to contribute 10 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2009 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$18,255, \$16,285, and \$16,058 respectively, equal to required contributions for each year.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

6. POST-EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2009 local government employer contribution rate was 14.0 percent of covered payroll. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2008, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 3.00 percent annually for the next six years and 4.00 percent annually after six years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans as of December 31, 2009 was 357,584. Actual employer contributions for the Library for 2009 which were used to fund post-employment benefits were \$2,281 for January 1 through March 31, 2009 and \$5,378 for April 1 through December 31, 2009. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2008 were \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.6 billion and \$18.9 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

7. CLOSEOUT TRANSFER TO COUNTY

Pursuant to per HB 420 of the 127th General Assembly, the Dayton Law Library Association transferred the General Fund and Retained Monies Fund cash balances on December 29, 2009 in the amount of \$85,000 and on February 4, 2010 in the amount of \$7,900 to the newly formed Montgomery County Law Library Resources Board. The December 31, 2009 reported cash balance of \$7,619 changed by \$281 due to a cancelled outstanding warrant, payroll processing fee, bank charge, and interest earned from January 1, 2010 to February 4, 2010.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

7. CLOSEOUT TRANSFER TO COUNTY (Continued)

HB 420 also required the Association to transfer all personal property the Association could reasonably identify as having been purchased by fines and penalties collected pursuant to ORC §§ 3375.50 to 3375.53 to the Resources Board. On September 29, 2009 the Association's Board approved the transfer of books (active collection), microfilm materials and equipment, videotape materials and equipment, audio and visual materials, and other miscellaneous items. The Association maintains ownership of books acquired before 1872 which was the first year that public funds were received.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

This discussion and analysis of the Dayton Law Library Association's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2008, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2008 are as follows:

- Cash decreased in the governmental activities by \$398.
- The Library's program revenues are received primarily from court traffic fines from the Municipal and County Courts through the Montgomery County Auditor. Additionally, per the Ohio Revised Code, a total of \$1,250 per year is collected from the Montgomery County Clerk of Court. Fines are also received from the Montgomery County Juvenile Court through the Montgomery County Auditor and from Fiscal Officers of Municipalities where there is a Municipal Court.
- Receipts from fines and forfeitures pursuant to Ohio Revised Code Sections 3375.50-53 totaled \$894,923. Program receipts decreased 3.15% from 2007.
- Expenses for information resources amounted to \$590,646. Personal Services expenses totaled \$231,221 and general expenses totaled \$74,160 which included \$33,253 for 20% of the cost of rent and utilities for 2008.
- In prior years the private monies of the Library would loan the public funds to cover expenses the Board felt were necessary to provide services, in fiscal year 2008 there were no loans from the private monies of the Library.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Dayton Law Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)
(Continued)**

Basis of Accounting

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

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

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2008, within the limitations of cash basis of accounting. The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include fines and forfeitures paid by the courts to the Library. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

The statement of net assets and statement of activities presents governmental activities which includes all the Library's services. Fines and forfeitures finance most of these activities.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The Library's two major governmental funds are the General Fund and Retained Monies Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)
(Continued)**

The Government as a Whole

Table 1 provides a summary of the Library's net assets for 2008 compared to 2007 on a cash basis.

**(Table 1)
Net Assets**

	Governmental Activities	
	2008	2007
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$9,349	\$9,747
Total Assets	<u>9,349</u>	<u>9,747</u>
Net Assets:		
Unrestricted	9,349	9,747
Total Net Assets	<u>\$9,349</u>	<u>\$9,747</u>

As mentioned previously, net assets of governmental activities decreased \$398 or 4.1 percent during 2008. The small decrease was the result of the Library balancing expenditures to receipts.

Table 2 reflects the changes in net assets on a cash basis in 2009 and 2008 for governmental activities.

**(Table 2)
Changes in Net Assets**

	Governmental Activities	
	2008	2007
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$894,923	\$924,013
General Receipts:		
Interest	706	637
Total General Receipts	<u>706</u>	<u>637</u>
Total Receipts	<u>895,629</u>	<u>924,650</u>
Disbursements:		
Library Services:		
Information Resources	590,646	570,766
Personal Services	231,221	182,308
General Expenses	74,160	33,037
Repayment of Loans from Association Fund		140,000
Total Disbursements	<u>896,027</u>	<u>926,111</u>
Increase (Decrease) in Net Assets	(398)	(1,461)
Net Assets, January 1	9,747	11,208
Net Assets, December 31	<u>\$ 9,349</u>	<u>\$ 9,747</u>

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)
(Continued)**

For 2008, program revenues in the Library's governmental fund include fines received pursuant to the provisions of the Ohio Revised Code providing for the operation of county law libraries.

For 2008, program expenses for the Library's governmental funds represent the overhead costs of running the Library. These include the costs of information resources, personal services including amounts reimbursed to Montgomery County for county paid salaries, and general expenses.

Current Issues

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

At the end of 2008, HB 420 was passed by the Ohio Legislature providing for the transfer of management and governance of county law library associations to publicly-appointed boards to be known as county law library resources boards. Management by the new boards was to take place effective January 1, 2010, with several transition activities to be handled before the end of 2009. HB 420 also reconstituted the Task Force on County Law Library Reform to address and offer assistance with transition duties through December of 2010.

Contacting the Government's Financial Management

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

**DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2008**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$9,349</u>
Total Assets	<u><u>9,349</u></u>
Net Assets:	
Unrestricted	<u>9,349</u>
Total Net Assets	<u><u>\$9,349</u></u>

See accompanying notes to the basic financial statements.

**DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Retained Monies Fund	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$8,643	\$706	\$9,349
Total Assets	8,643	706	9,349
Fund Balances:			
Undesignated, Reported in:			
General Fund	8,643		8,643
Special Revenue Funds		706	706
Total Fund Balances	\$8,643	\$706	\$9,349

See accompanying notes to the basic financial statements.

**DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Retained Monies Fund</u>	<u>Total Governmental Funds</u>
Receipts:			
Fines and Forfeitures	\$894,923		\$894,923
Interest Income		\$706	706
Total Receipts	<u>894,923</u>	<u>706</u>	<u>895,629</u>
Disbursements:			
Current:			
Library Services:			
Information Resources	590,646		590,646
Personal Services	231,221		231,221
General Expenses	74,160		74,160
Total Disbursements	<u>896,027</u>		<u>896,027</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,104)</u>	<u>706</u>	<u>(398)</u>
Net Change in Fund Balances	(1,104)	706	(398)
Fund Balances Beginning of Year	<u>9,747</u>		<u>9,747</u>
Fund Balances End of Year	<u><u>\$8,643</u></u>	<u><u>\$706</u></u>	<u><u>\$9,349</u></u>

See accompanying notes to the basic financial statements.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

1. REPORTING ENTITY

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

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

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

The Board of Trustees hires a law librarian and staff. Pursuant to Ohio Revised Code Section 3375.48, the salaries of the librarian and up to two assistants are paid from the county treasury in exchange for free use of the library by all of the members of the Ohio general assembly, the county officers and the judges of the several courts in the county. This means of financial support will be phased-out over a four year period beginning January 1, 2007 pursuant to the provisions of H.B. 66 affecting county law libraries.

House Bill 66 amended Ohio Rev. Code Section 3375.48 effective September 29, 2005 to transfer the authority to fix the compensation of the law librarian and assistant law librarians from the judges of the common pleas court to the county law library association's board of trustees. During 2009, the county commissioners were responsible for compensating the librarian and up to two assistants and for the costs of the space and utilities. During 2008, the county commissioners were responsible for 60% of the librarian's and assistants' compensation and for 80% the costs of the space and utilities for the law library as required by Ohio Revised Code Section 3375.49.

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

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

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service for which the Library is responsible. Program receipts include fines and forfeitures paid by the Courts to the Library. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each object is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds to aid in financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

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

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

The Library classifies all funds as governmental funds. The Library's major governmental funds are the General Fund and Retained Monies Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The Retained Monies Fund consists of monies retained by the Library under Ohio Revised Code § 3375.56. At the end of each calendar year the Library is permitted under law to retain up to ten percent of their unencumbered balance.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

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

D. Cash and Investments

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

During 2008 the Law Library Association maintained an interest bearing checking account. Interest earnings are allocated to the Library fund according to the state statute. Interest receipts credited to the Retained Monies Fund was \$706.

E. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements. During 2007, 31,083 bound volumes previously valued at \$1,427,491 were discarded due to the loss of 3,000 square feet of library space. The insured value of the collection at December 31, 2008 was \$2,981,094.

F. Capital Assets

The Library records disbursements for equipment acquisitions when paid. The accompanying financial statements do not report these items as assets. The Library deems computers, copiers, fax machines, and other items related toward facilitating the use of equipment as equipment. The insured value of equipment was \$45,921 as of December 31, 2008.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting. Ohio Attorney General Opinion 2007-012 clarified the matter of accrued sick and vacation leave for library employees paid by the county prior to the phase out of county support for salaries which began January 1, 2007. Sick and vacation leave balances accrued prior to January 1, 2007 remain the obligation of Montgomery County for the Law Librarian and Assistant Law Librarian.

H. Refund to Relative Income Sources

If certain conditions are met, the Library is required to refund at least ninety percent of any unencumbered balance to political subdivisions that provided receipts to the Library. See Note 3 for additional information.

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Budgetary Process

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

3. CALCULATION OF REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED

In any year that receipts exceed disbursements, the Library refunds at least ninety percent of the balance to the political subdivisions who provided the funds and retains the remaining amount. This refund process is referred to as the application of ORC 3375.56 or refund to relative income sources. During fiscal year 2008 disbursements exceeded program receipts.

4. DEPOSITS

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

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

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

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

4. DEPOSITS (Continued)

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

1. U.S. Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

A. Deposits with Financial Institutions

At December 31, 2008, the carrying amount of the Library deposits was \$9,349. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, the bank balance was \$6,544. Of the Library's bank balance, 100% of the \$6,544 for 2008 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$6,544 of the Library's bank balance of \$6,544 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging institutions trust department or agent, but not in the Library's name. The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

5. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

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

6. DEFINED BENEFIT PENSION PLAN

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

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

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

For the year ended December 31, 2008 the members participated in the traditional plan, and were required to contribute 10 percent of their annual covered salaries. The Library's contribution rate for pension benefits for was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$16,285, \$16,058, and \$16,486 respectively, equal to required contributions for each year.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

7. POST-EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2008 local government employer contribution rate was 14 percent of covered payroll. 7 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor between .50 and 4.00 percent annually for the next seven years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans as of December 31, 2008, was 3693,503. Actual employer contributions for the Library for 2008 which was used to fund post-employment benefits was \$18,879. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007, were \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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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*

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Dayton Law Library Association, Montgomery County, (the Library) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 25, 2010, wherein we noted the Library uses a comprehensive basis of accounting other than generally accepted accounting principles. We also noted that the Library, per HB 420 of the 127th General Assembly, must transfer its public cash and property purchased with public funds to the County on or before January 1, 2010. Effective January 1, 2010, the county will report the Law Library operations in a Law Library Resources Special Revenue Fund (LLRF). These LLRF transactions will be included within the scope of the county audit for fiscal year ending December 31, 2010 and subsequent years. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 2009-001.

We intend this report solely for the information and use of the management, the Library, and others within the Library. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

May 25, 2010

DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-01

Finding for Recovery

Ohio Revised Code § 3375.49 required that in calendar years 2007 through 2010, the board of county commissioners and the board of trustees shall be responsible for paying the compensation of the librarian and up to two assistant librarians appointed under **Ohio Revised Code § 3375.48**. In calendar year 2008, the board of county commissioners shall pay sixty per cent, and the board of trustees of the Library shall pay forty per cent.

The Library failed to pay \$9,840 of the employer portion of the contributions to the Ohio Public Employees Retirement System and Medicare, health insurance fringe benefit, life insurance fringe benefit, and employee assistance program fringe benefit. These obligations, instead, were paid by Montgomery County Common Pleas Court.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money due that has not been collected is hereby issued against the Montgomery County Law Library Resources Board Fund, in the total amount of \$9,840 and in favor of the Montgomery County Common Pleas Court.

On June 8, 2010, the County Commissioners approved a transfer of \$9,840 from the Law Library Resources Fund to the Common Pleas Court - General Fund.

Library's Response:

Officials did not respond to this finding.



Mary Taylor, CPA
Auditor of State

DAYTON LAW LIBRARY ASSOCIATION

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 8, 2010