



Mary Taylor, CPA
Auditor of State

LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY

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Mary Taylor, CPA

Auditor of State

Law Library Association
Lawrence County
111 South Fourth Street
Ironton, Ohio 45638

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 23, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Law Library Association
Lawrence County
111 South Fourth Street
Ironton, Ohio 45638

To the Board of Trustees:

We have audited the accompanying financial statements of the general fund and retained monies fund of the Law Library Association, Lawrence County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005. 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.

Except as described in the following paragraph, 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 statement is 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.

We were unable to determine whether certain expenditures of the Library were allowable or for a proper public purpose due to a lack of supporting documentation, such as an original invoice. These expenditures represent 50% of expenditures for the year ended December 31, 2005, and 20% of the expenditures for the year ended December 31, 2006.

The financial statements present only the general fund and the retained monies fund and do not intend to present fairly the financial position or results of operations of all the Library funds.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence supporting certain expenditures made, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Law Library Association, Lawrence County, general fund and retained monies fund as of December 31, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 3, the Library has included activity associated with the Retained Monies Fund.

As discussed in Note 4, at December 31, 2006, the fund balance was \$1,120. There were outstanding obligations of \$11,185. This raises substantial doubt about the Library's ability to continue as a going concern.

The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2007, 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

October 23, 2007

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

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

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
Cash Receipts:			
Lawrence County Municipal Court	\$52,115	\$0	\$52,115
Treasurer Lawrence County - Liquor	89		89
Treasurer Lawrence County - Ironton Municipal Court	6,012		6,012
City of Ironton	22,400		22,400
Municipal Court - Criminal Division	5,500		5,500
Clerk of Courts	1,250		1,250
Juvenile Court	1,250		1,250
Probate Court	1,250		1,250
Miscellaneous	919		919
Total Cash Receipts	90,785	0	90,785
Cash Disbursements:			
Insurance	803		803
Books/Publishers	72,721	1,283	74,004
Maintenance/Equipment	654		654
Supplies/Postage	610		610
Communications	1,681		1,681
Salaries	14,196		14,196
Miscellaneous	120		120
Total Cash Disbursements	90,785	1,283	92,068
Total Cash Receipts Over/(Under) Cash Disbursements	0	(1,283)	(1,283)
Public Fund Cash Balances, January 1	0	2,403	2,403
Public Fund Cash Balances, December 31	\$0	\$1,120	\$1,120
Reserves for Encumbrances, December 31	\$11,185	\$0	\$11,185

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

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

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

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Lawrence County Municipal Court	\$53,133	\$0	\$53,133
Treasurer Lawrence County - Liquor	440		440
Treasurer Lawrence County - Ironton Municipal Court	3,872		3,872
City of Ironton	27,034		27,034
Municipal Court - Criminal Division	5,500		5,500
Clerk of Courts	1,280		1,280
Juvenile Court	1,250		1,250
Probate Court	1,250		1,250
Miscellaneous	1,716		1,716
	<hr/>		<hr/>
Total Cash Receipts	95,475	0	95,475
	<hr/>		<hr/>
Cash Disbursements:			
Insurance	4,981		4,981
Books/Publishers	88,376	14,439	102,815
Maintenance/Equipment	5,250		5,250
Supplies/Postage	1,180		1,180
Communications	3,031		3,031
Miscellaneous	7,934		7,934
	<hr/>		<hr/>
Total Cash Disbursements	110,752	14,439	125,191
	<hr/>		<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(15,277)	(14,439)	(29,716)
	<hr/>		<hr/>
Public Fund Cash Balances, January 1	15,277	16,842	32,119
	<hr/>		<hr/>
Public Fund Cash Balances, December 31	\$0	\$2,403	\$2,403
	<hr/> <hr/>		<hr/> <hr/>
Reserves for Encumbrances, December 31	\$12,406	\$0	\$12,406
	<hr/> <hr/>		<hr/> <hr/>

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

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Law Library Association, Lawrence County (the Library), is governed by a board of seven trustees. Members of the Lawrence 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 lawbooks; computer communications consoles to access a system of computerized legal research; microfilm materials and equipment, videotape materials and equipment; audio or visual materials and equipment; and other services, materials, and equipment that provide legal information or facilitate legal research.

ORC §3375.49 requires the Lawrence 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 Lawrence County fix these librarians' compensation pursuant to ORC § 3375.48. If the Library provides free access to all county officers and the judges of the several courts, the County treasury pays the librarians' salary. If the Library does not provide free access, the Library must pay the librarians' salary.

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

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

B. Accounting Basis

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. The "Reserve for Encumbrances" on the financial statements represent the Library's commitments for purchases. The Library recognizes encumbrances when it commits funds.

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

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

There were no investments held by the Library during the audit period.

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

The 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 Note 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 equipment acquisitions when paid. The accompanying financial statements do not report these items as assets. The Library deems computers, copiers, fax machines, and other items related toward facilitating the use of equipment as equipment.

G. Refund to Relative Income Sources

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

2. EQUITY IN POOLED CASH

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$1,120	\$2,403

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

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006 AND 2005
(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." However, at December 31, 2006 and 2005, there were no unencumbered balances.

4. FINANCIAL DIFFICULTIES

At December 31, 2006, the fund balance was \$1,120. There were outstanding obligations of \$11,185. Therefore, the Library may be facing a fiscal watch/fiscal emergency condition in fiscal year 2007. In addition, HB 363 could potentially increase the financial obligations of the Library. At this time, management has no corrective action plan to help remedy this going concern problem.

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Mary Taylor, CPA

Auditor of State

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

Law Library Association
Lawrence County
111 South Fourth Street
Ironton, Ohio 45638

To the Board of Trustees:

We have audited the financial statements of the Law Library Association, Lawrence County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 23, 2007, 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 also disclosed the financial statements include only the general fund and the retained monies fund. We also noted we were unable to determine certain expenditures of the Library were allowable or for a proper public purpose due to a lack of supporting documentation, such as an original invoice. We also noted the Library was facing certain financial difficulties. Except as discussed in the preceding sentences, 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-004.

Law Library Association
Lawrence County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-001 and 2006-002 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Library's management in a separate letter dated October 23, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statement is 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 that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2006-001.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated October 23, 2007.

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



Mary Taylor, CPA
Auditor of State

October 23, 2007

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance Citation/Material Weakness – Disbursements Supporting Documentation

Ohio Rev. Code § 149.351 (A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under section 149.33 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

During 2005, 58 percent of expenditures had no supporting documentation, such as an invoice, and therefore could not be determined to be for a proper public purpose due to lack of supporting documentation. During 2006, 20 percent of expenditures had no supporting documentation, such as an invoice, and therefore could not be determined to be for a proper public purpose due to lack of supporting documentation.

This resulted in auditing difficulty and increased testing time for expenditures that are reflected on the financial report.

We recommend that all records be maintained for audit purposes and that no disbursements are made unless supporting documentation is available.

FINDING NUMBER 2006-002

Material Weakness – Purchase Commitments

Sound internal controls should include procedures for law libraries to appropriate annually. Further, the Law Library Association should only make purchase commitments for an amount not to exceed current resources.

The Association made purchase commitments in excess of the ending fund balance in 2005 and 2006. Outstanding purchase commitments exceeded the fund balance, as follows:

Year-End	Fund Balance	Outstanding Encumbrances	Variance
December 31, 2005	\$2,403	\$12,406	\$10,003
December 31, 2006	\$1,120	\$11,185	\$10,065

This could result in disbursements exceeding actual resources.

We recommend the Law Library Association closely monitor budget to actual disbursements and take due care not to commit to purchases in excess of current resources.

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-003

Significant Deficiency – Timely Posting and Depositing of Receipts

Sound internal controls should include procedures to ensure the timely recording and depositing of receipts. Receipts of the Law Library Association were not recorded or deposited timely with the banking institution. Of the receipts tested, 86% and 88% for 2005 and 2006, respectively, were not timely recorded and/or deposited. We noted four instances in 2005 in which the date of the check was more than two months prior to the receipt and deposit date, since receipts are only posted and deposited once per month. Failure to record and deposit receipts timely increases the susceptibility of theft and/or loss of the receipts. Further, such practices could result in receipts not being recorded in the proper period.

We recommend all receipts be recorded in the cashbook and deposited timely. Receipts should be recorded when received and deposited by the next business day following the day of receipt. This would result in more accurate financial reporting and increased physical safeguard of the Law Library Association's receipts.

FINDING NUMBER 2006-004

Significant Deficiency – Timely Payments of Obligations

Sound internal controls should include procedures to ensure that invoices/bills are paid in a timely manner. During the testing of disbursements, we noted that 54 percent of the transactions selected for testing were paid late. 74 percent of those transactions selected for testing were more than 90 days past due as indicated on the statements. For example, in November, 2006, the Law Library Association received an invoice from Capital Recovery Corporation to attempt to collect a debt on behalf of Lexis Nexis that was more than 180 days past due.

We recommend the Law Library Association pay the invoices/bills in a timely manner to avoid possible service interruptions and additional incurred costs in the form of late fees/penalties.

We did not receive a response from Officials to the findings reported above.

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Finding for Recovery/Noncompliance Citation/Reportable Condition – ORC 3375.48 compensation of law librarian and assistants	No	Finding No Longer Valid per ADAM 2006-004
2004-002	Finding for Recovery against Law Library in the amount of \$6,307.80	Yes	Repaid under prior year audit
2004-003	ORC 3375.54 for proper public purpose of expenditures	No	Finding No Longer Valid per ADAM 2006-004
2004-004	Timely Posting and Depositing of Receipts	No	Not Corrected - Reissued as Finding 2006-003
2004-005	Duplicate and Late Payment of Invoices; Lack of Supporting documentation for disbursements	No	Partially Corrected – Reissued as Finding 2006-004
2004-006	Timely Payment of Obligations	No	Not Corrected – Reissued as Finding 2006-004



Mary Taylor, CPA
Auditor of State

LAW LIBRARY ASSOCIATION

LAWRENCE 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
NOVEMBER 27, 2007**