



Mary Taylor, CPA
Auditor of State

**LAW LIBRARY ASSOCIATION
MORGAN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Public Funds - For the Years Ended December 31, 2006 and 2005	5
Notes to the Financial Statement.....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

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Mary Taylor, CPA

Auditor of State

Law Library Association
Morgan County
P.O. Box 419
McConnelsville, Ohio 43756

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 statement 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 statement in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement 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

August 28, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Law Library Association
Morgan County
P.O. Box 419
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited the accompanying financial statement of the Law Library Association, Morgan County, Ohio (the Association), as of and for the years ended December 31, 2006 and 2005. This financial statement is the responsibility of the Association's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Association has prepared this financial statement 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the funds the accompanying financial statement presents, GAAP require presenting entity wide statements and presenting the Association's larger (i.e., major) funds separately. While the Association does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require law libraries to reformat their statements. The Association 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 statement referred to above for the years ended December 31, 2006 and 2005 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Association as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Law Library Association, Morgan County, Ohio, 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.

The Association 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 statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2007, on our consideration of the Association'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

August 28, 2007

**LAW LIBRARY ASSOCIATION
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PUBLIC FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
Cash Receipts:		
Fine and Forfeitures	\$ 33,251	\$ 29,362
Total Cash Receipts	33,251	29,362
Cash Disbursements:		
Supplies and Materials	18,659	16,112
Refunds to Relative Income Sources (See Note 2)	26,340	15,000
Professional Services	1,810	1,225
Insurance	201	201
Total Cash Disbursements	47,010	32,538
Total Cash Receipts Over/(Under) Cash Disbursements	(13,759)	(3,176)
Public Fund Cash Balances, January 1	14,745	17,921
Public Fund Cash Balances, December 31	\$ 986	\$ 14,745

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

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**LAW LIBRARY ASSOCIATION
MORGAN 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 (the Association), is governed by a board of three trustees. Members of the Morgan County Bar Association elected annually elect the board members. The Association provides access for all county officers and the judges of the several courts within the County.

The Association operates by receiving a portion of fine and forfeiture monies from the courts (and any associated interest) under Ohio Revised Code (ORC) Sections 3375.50 to .53, inclusive. ORC section 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 section 3375.49 requires the Morgan County Commissioners to provide adequate facilities for the Association, including suitable bookcases, heating and lighting for the rooms.

The Board of Trustees select a librarian and not more than two assistant law librarians. The Judge of the Court of Common Pleas of Morgan County fixes this librarians' compensation pursuant to ORC Section 3375.48. If the Association provides free access to all county officers and the judges of the several courts, the County treasury pays the librarians' salary. If the Association does not provide free access, the Association must pay the librarians' salary.

The Association's management believes this financial statement presents all public funds for which the Association is financially accountable.

B. Accounting Basis

This financial statement follows the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Association recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

The Association uses fund accounting to segregate cash that is restricted as to use. The Association classifies its funds into the following type:

1. General Fund

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

**LAW LIBRARY ASSOCIATION
MORGAN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Property, Plant, and Equipment

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

E. Refund to Relative Income Sources

If certain conditions are met, Ohio Revised Code Section 3375.56 requires the Association to refund at least ninety percent of any balance to political subdivisions that provided revenues to the Association. See Note 2 for additional information.

2. REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED

In any year that receipts exceed disbursements, the Association refunds at least ninety percent of the balance to the political subdivisions who provided the funds and retains the remainder. Ohio Revised Code Section 3375.56 requires this "refund to relative income sources." The following tables present the refunded and retained amounts during 2006 and 2005.

Balance at December 31, 2006	
<u>Refunded and Retained During Calendar Year 2006</u>	
Balance at December 31, 2006 (prior to refund)	\$ 13,581
Refunded to Relative Sources during 2006	<u>(12,595)</u>
Retained Funds Amount during 2006	<u><u>\$ 986</u></u>

Balance at December 31, 2005	
<u>Refunded and Retained During Calendar Year 2006</u>	
Balance at December 31, 2005	\$ 14,745
Refunded to Relative Sources during 2006	<u>(13,745)</u>
Retained Funds Amount during 2006	<u><u>\$ 1,000</u></u>

3. EQUITY IN POOLED CASH

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$ 986	\$ 14,745

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

**LAW LIBRARY ASSOCIATION
MORGAN COUNTY**

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

4. RISK MANAGEMENT

Commercial Insurance

The Association has obtained commercial insurance for the following risk:

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

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Mary Taylor, CPA

Auditor of State

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

Law Library Association
Morgan County
P.O. Box 419
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited the financial statement of the Law Library Association, Morgan County, Ohio (the Association), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 28, 2007, wherein we noted the Association prepared its financial statement using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statement, but not to opine on the effectiveness of the Association's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Association's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Association'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 Association's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

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

We also noted certain internal control matters that we reported to the Association's management in a separate letter dated August 28, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Association'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Association's management in a separate letter dated August 28, 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

August 28, 2007

**LAW LIBRARY ASSOCIATION
MORGAN COUNTY**

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

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

FINDING NUMBER 2006-001

Material Weakness

The Association has adopted Articles which outline the Association's policies and procedures concerning meetings, membership, the election the Board of Trustees and officer(s), owning, selling, or disposing of property, and establishment of the fiscal year end as December 31. Certain aspects of these formal policies and procedures were not being followed during the audit period.

- Article I, Section 2 provides that an annual meeting of the Members of the Association be held for the purpose of electing Board of Trustees and for the consideration of reports to be presented at the meeting. The Association provided no evidence that such a meeting was held for the years under audit.

In addition, the following weaknesses were also noted:

- The Law Librarian reconciled the bank account, signed checks for the payment of bills, and posted financial transactions on behalf of the Association. There was no documentation of any involvement of the Board of Trustees in the oversight of the Association.
- The Association did not present any minutes of any meetings concerning the operation of the Association during the period under audit.

This informal method of conducting Association business could allow errors or irregularities to occur and remain undetected.

We recommend the following items to strengthen internal controls over the Association's operations:

1. The Association should adhere to the adopted Articles. This would include holding an annual meeting for the purpose of election of trustees/officers and review of policies for the operation of the Association. The meetings should be made open to the public and published in the newspaper at least twenty four hours before the meeting is to take place.
2. In addition to the policies and procedures already addressed in the Association's Articles, the following areas should also be addressed by the Association in the form of formal written procedures:
 - a. The manner in which the Law Librarian will be notified in order to make purchases and incur obligations on behalf of the Association should be set by policy. For example, a purchase order could be signed by a trustee to document goods or services needed and to serve as the Board of Trustee's authorization for the Law Librarian to make a purchase.

**LAW LIBRARY ASSOCIATION
MORGAN 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 2006-001 (Continued)

Material Weakness (Continued)

- b. The manner in which bills will be presented for payment should be set by policy. Those bills authorized for payment could be listed in the Board of Trustee's minutes and/or vouchers could be signed by Board of Trustees members and filed with the appropriate invoices attached. To further safeguard account assets, the Board of Trustees could consider requiring a Board member's signature as well as the Law Librarian's signature on each check issued.
- c. The records to be maintained by the Law Librarian as well as the reports to be presented to the Board of Trustees from the Law Librarian should be set by policy.
- d. The manner in which the Board of Trustees will monitor Association activities should be determined. For example, the Board of Trustees could require monthly financial reports and bank reconciliations to be presented. The Board of Trustees could then review and initial these documents to indicate the Board of Trustees' involvement and oversight. These documents would also help assure the Board of Trustees possessed the appropriate information upon which to make informed decisions concerning the operation of the Association.
- e. A permanent minute record of all Association meetings should be maintained. All official actions taken by the Board of Trustees should be included in these minutes. The official minute record should then be signed by the preparer and attested to by the Board of Trustees.

Officials' response: We did not receive a response from Officials to this finding.



Mary Taylor, CPA
Auditor of State

LAW LIBRARY ASSOCIATION

MORGAN 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 13, 2007**