



**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

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Mary Taylor, CPA
Auditor of State

Madison County Law Library Association
Madison County
1 North Main Street, Room 205
London, Ohio 43140

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Library to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 28, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Madison County Law Library Association
Madison County
1 North Main Street, Room 205
London, Ohio 43140

To the Board of Trustees:

We have audited the accompanying financial statements of the general fund and the retained monies fund of the Madison County Law Library Association, Madison County, Ohio (the Library) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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.

Instead of the funds the accompanying financial statements present, 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Madison County Law Library Association, Madison County, Ohio, general fund and the retained monies fund as of December 31, 2007 and 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 2, the Library has included activity associated with the Retained Monies Fund.

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 January 28, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

January 28, 2008

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PUBLIC FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$ 175,105	\$ -	\$ 175,105
Interest	-	5,074	5,074
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	175,105	5,074	180,179
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Supplies and Materials	170,566	-	170,566
Refunds to Relative Income Sources (Note 2)	8,093	-	8,093
Equipment	673	-	673
Purchased Services	1,513	-	1,513
Miscellaneous	1,057	-	1,057
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	181,902	-	181,902
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(6,797)	5,074	(1,723)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(899)	899	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(899)	899	-
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(7,696)	5,973	(1,723)
	<hr/>	<hr/>	<hr/>
Public Fund Cash Balances, January 1	(12,024)	126,006	113,982
	<hr/>	<hr/>	<hr/>
Public Fund Cash Balances, December 31	<u>\$ (19,720)</u>	<u>\$ 131,979</u>	<u>\$ 112,259</u>

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

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

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

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$ 178,964	\$ -	\$ 178,964
Interest	-	5,008	5,008
	<u>178,964</u>	<u>5,008</u>	<u>183,972</u>
Cash Disbursements:			
Supplies and Materials	162,274	-	162,274
Refunds to Relative Income Sources (Note 2)	1,732	-	1,732
Equipment	4,109	-	4,109
Purchased Services	3,021	-	3,021
Miscellaneous	568	-	568
	<u>171,704</u>	<u>-</u>	<u>171,704</u>
Total Cash Receipts Over Cash Disbursements	<u>7,260</u>	<u>5,008</u>	<u>12,268</u>
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(192)	192	-
	<u>(192)</u>	<u>192</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)	<u>(192)</u>	<u>192</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	7,068	5,200	12,268
Public Fund Cash Balances, January 1	<u>(19,092)</u>	<u>120,806</u>	<u>101,714</u>
Public Fund Cash Balances, December 31	<u><u>\$ (12,024)</u></u>	<u><u>\$ 126,006</u></u>	<u><u>\$ 113,982</u></u>

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

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

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

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

C. Cash and Investments

The Library's accounting basis includes investments as assets. Accordingly, this basis does not record disbursements for investment purchases or receipts for investment sales. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Library values certificates of deposit at cost. The Library specifies the funds that the certificates of deposits are purchased for and allocates interest to the fund which purchased the Certificate of Deposit.

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

2. Retained Monies Fund

Retained Monies Fund reports funds the Library retains under Ohio Revised Code § 3375.56. At the end of each calendar year the Library may retain up to ten percent of their unencumbered balance. See footnote 2 for additional information.

E. 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.

F. 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 2 for additional information.

2. REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED

In any year that receipts exceed disbursements, the Library refunds at least ninety percent of the balance to the political subdivisions who provided the funds and retains the remainder. Ohio Revised Code § 3375.56 requires this "refund to relative income sources." The following tables present the refunded and retained amounts during 2007 and 2006.

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

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

2. REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED (Continued)

Balance at December 31, 2006	
Refunded and Retained During Calendar Year 2007	
Balance at December 31, 2006	\$8,992
Refunded to Relative Sources during 2007	8,093
Retained Funds Amount during 2007	\$899

Balance at December 31, 2005	
Refunded and Retained During Calendar Year 2006	
Balance at December 31, 2005	\$1,925
Refunded to Relative Sources during 2006	1,733
Retained Funds Amount during 2006	\$192

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool all funds use, except the retained monies fund. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2007	2006
Demand deposits	\$8,812	\$14,018
Savings Accounts	6,850	6,789
Total deposits	\$15,662	\$20,807
Certificates of deposit	96,597	93,175
Total investments	96,597	93,175
Total deposits and investments	\$112,259	\$113,982

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

4. RISK MANAGEMENT

Commercial Insurance

The Madison County Law Library Association has obtained commercial insurance for the following risks:

- 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*

Madison County Law Library Association
Madison County
1 North Main Street, Room 205
London, Ohio 43140

To the Board of Trustees:

We have audited the financial statements of the Madison County Law Library Association, Madison County, Ohio, (the Library) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated January 28, 2008, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also disclosed the financial statements include only the general fund and the retained monies fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-001 and 2007-002 are also material weaknesses.

We noted certain internal control matters that we reported to the Library's management in a separate letter dated January 28, 2008.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

January 28, 2008

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2007-001
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Interest Posting– Significant Deficiency/Material Weakness

Interest is earned on all certificates of deposits held by the Library as well as on the checking account. During 2007 and 2006, interest checks were received each month or quarter for some investments and directly deposited into the certificate of deposit for others.

Interest not received by check was not posted to the accounting system as revenue resulting in audit adjustments to the financial statements and accounting system totaling \$6,614.

We recommend the Library post interest earned on its investments in a timely manner such as a monthly or quarterly basis. Doing so will allow the accounting system to properly reflect the values of the Library's investments.

Finding Number	2007-002
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Financial Reporting – Significant Deficiency/Material Weakness

The Library utilizes the Quicken accounting software for daily transaction processing and annual financial statement preparation. There were modifications or reclassifications necessary to the Library's annual financial statements. Although the Quicken software generates financial statements, management is responsible for the presentation of the basic financial statements and accordingly should implement review procedures and controls over the financial preparation and reporting process.

Audit adjustments to the financial statements and accounting system were necessary to accurately reflect expenditures. The Library recorded expenditures in the accounting system that were not carried forward to the financial statements. In addition, an adjustment was made to move the 10% retained monies to the Retained Monies Fund on the financial statements and in the accounting system. These audit adjustments ranged in dollar amount from \$33 to \$8,093.

We recommend the Library implement additional procedures to provided assurance over the completeness and accuracy of information reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

We did not receive any responses from Officials to the findings reported above.



Mary Taylor, CPA
Auditor of State

LAW LIBRARY ASSOCIATION

MADISON 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 1, 2008**