



Mary Taylor, CPA
Auditor of State

**DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

Dayton Law Library Association
Montgomery County
Montgomery County Courts Building
41 North Perry Street
P.O. Box 972
Dayton, OH 45422-2490

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activity of the Dayton Law Library Association, Montgomery County, Ohio (the Library), as of and for the years ended December 31, 2007 and 2006, 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 an opinion on these financial statements based on our audit.

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

As 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 activity of the Library as of December 31, 2007 and 2006, and the respective changes in cash financial position thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 21, 2008

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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, 2007, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key General Fund highlights for 2007 are as follows:

- Cash decreased in the governmental activities by \$1,461.
- 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 \$924,013. Program receipts decreased 5% from 2006.
- Expenses for Information Resources amounted to \$570,766. Personal Services expenses totaled \$182,308. General Expenses totaled \$33,037. Personal Services expenses include \$32,150 reimbursed to Montgomery County for 20% of the 2007 salary costs for the Law Librarian and two Assistant Law Librarians.
- There were no loans from the Association Fund during 2007. In addition, outstanding loans totaling \$140,000 made to the Fines Fund during 2005 were repaid to the private fund in 2007 according to Library policy.

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 Cash Basis Activities provides information about the cash activities of the Dayton Law Library.

The notes to the basic financial statements are an integral part of the 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, 2007
(UNAUDITED)
(Continued)**

Fund Accounting

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. The Law Library maintains two funds, the General Fund (Fines Fund) and the Association (Private Fund). These statements present financial information for the General Fund.

The Association or private fund is derived from membership dues, investment income, document delivery income, donations and bequests. 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.

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 activities reflects how the Library did financially during 2007, within the limitations of cash basis accounting. The statement of activities compares cash disbursements with program receipts for each governmental program. General receipts are all receipts not classified as program receipts. General disbursements are all disbursements not classified as program disbursements. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

This statement reports 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 activities includes only governmental activities and the Library's basic services are reported here, including use of information resources. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

Governmental Funds

Separate funds can be established to better manage the Library's many activities and to help demonstrate that monies that are restricted are being used for their intended purpose. The Library currently utilizes one fund.

The Library's activities are reported in the governmental fund. The governmental fund financial statement provides a detailed view of the Law Library's governmental 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 governmental funds are presented on the financial statements. The only governmental fund is the General Fund.

Table 1 reflects the changes in net assets in 2007, 2006 and 2005.

**Table 1
Change in Net Assets**

	Governmental Activities		
	2007	2006	2005
Program Expenses			
Information Resources	\$570,766	\$677,106	\$658,161
Personal Services	182,308	152,445	138,216
General Expenses	33,037	45,416	38,486
Repayment of Loans from the Association Fund	140,000	120,000	
Total Program Expenses	<u>926,111</u>	<u>994,967</u>	<u>834,863</u>
Program Revenues			
Fines and Forfeitures			
Municipal Courts pursuant to ORC Section 3375.50	15,000	15,000	15,000
District Courts 1 and 2 pursuant to ORC Section 3375.51	151,921	142,815	139,785
Clerk of Common Pleas Court pursuant to ORC Section 3375.52	1,250	1,250	1,250
Municipal/Juvenile Courts pursuant to ORC Section 3375.53	<u>755,842</u>	<u>807,409</u>	<u>535,231</u>
Total Fines and Forfeitures	<u>924,013</u>	<u>966,474</u>	<u>691,266</u>
Net Program Expenses	<u>(2,098)</u>	<u>(28,493)</u>	<u>(143,597)</u>
General Revenues			
Interest	637	598	448
Loans from the Association Fund		25,000	140,000
Insurance Settlement			8,387
Total General Revenues	<u>637</u>	<u>25,598</u>	<u>148,835</u>
Increase/(Decrease) in Net Assets	<u>(\$1,461)</u>	<u>(\$2,895)</u>	<u>\$ 5,238</u>

For 2007, 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 2007, 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 as well as the repayment of loans from the Association Fund outstanding from 2005.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

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.

The Library relies primarily on traffic fines for operating funds. As a result of HB 66 and HB 363, changes to Law Library funding began to impact the Library during calendar year 2007. Beginning January 1, 2007, a four year phase-out of county support in the form of salaries and benefits for the Law Librarian and two assistants began. Beginning January 1, 2008, a four year phase-out of county support including free space and utilities as well as book shelving will begin.

House Bill 66 passed in 2005 provided for the creation of a Legislative Task Force to study the current state of law library associations and to make recommendations on the structure, funding, and administration of those libraries. The final report of the Task Force was issued in 2007 and additional changes to the operation and funding of county law libraries in Ohio are expected.

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
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Activities</u>
Assets	
Cash	\$9,747
Total Assets	<u>9,747</u>
Net Assets	
Unrestricted	9,747
Total Net Assets	<u>\$9,747</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, 2007**

	<u>2007</u>
Program Disbursements:	
Information Resources	\$570,766
Personal Services	182,308
General Expenses	33,037
Repayment of Loans from Association Fund	140,000
Total Program Disbursements	<u>926,111</u>
Program Receipts:	
Fines and Forfeitures	
Municipal Courts pursuant to ORC Section 3375.50	15,000
District Courts 1 and 2 pursuant to ORC Section 3375.51	151,921
Clerk of Common Pleas Court pursuant to ORC Section 3375.52	1,250
Municipal/Juvenile Courts pursuant to ORC Section 3375.53	755,842
Total Program Receipts	<u>924,013</u>
Net Program Expenses	(2,098)
General Receipts:	
Interest	637
Total General Revenues	<u>637</u>
Increase (decrease) in Cash	(1,461)
Cash Balance Beginning of Year	<u>11,208</u>
Cash Balance End of Year	<u><u>\$9,747</u></u>

See accompanying notes to the basic financial statements.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

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 at no charge. This means of financial support will be phased-out over a four year period beginning January 1, 2008 pursuant to the provisions of HB 66 affecting county law libraries.

The Board of Trustees hires and sets the salaries of a law librarian and staff. Prior to January 1, 2007, the salaries of the librarian and up to two assistants were 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. The phase-out of this means of financial support began January 1, 2007 with the Law Library required to pay 20% of the total cost of salaries and benefits for 2007. At the present time, Montgomery County is continuing to pay the Law Librarian and two Assistant Law Librarians through the Montgomery County Payroll Department and invoice the Law Library on a quarterly basis for its share of payroll costs.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2A, 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.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

These Financial Statements follow the basis of accounting the Auditor of State prescribes or permits.

The Library's Basic Financial Statements consist of cash basis governmental activities. The Statement of Net Assets Cash Basis displays information about the Library as a whole. This statement includes the financial activities of the primary government. The Library's governmental activities generally are financed through fines and forfeitures or other non-exchange transactions.

The Statement of Activities Cash Basis 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 or regulatory program for which the Library is responsible. Program receipts may include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program.

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 expenses and liabilities) are not recorded in these financial statements.

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 Library utilizes the governmental category of funds.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the Library typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. The Library's fund is financed primarily from fines and forfeitures, and other non-exchange transactions. The Library's governmental fund is the General Fund.

2. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

C. 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 2007 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 General Fund during 2007 was \$637.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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, 2007 was \$2,981,094.

E. 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 at December 31, 2007.

F. Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are reflected as Loans from Association Fund and Repayment of Loans from the Association Fund in the accompanying financial statements.

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 two Assistant Law Librarians.

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.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

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 2007 disbursements exceeded program receipts.

4. DEPOSITS AND INVESTMENTS

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.

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).

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

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, 2007, the carrying amount of the Library deposits in the General Fund was \$9,747. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, the bank balance was \$50,093. Of the Library's bank balance, 100% of the \$50,093 for 2007 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Library's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Library.

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 then deposits being secured.

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.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

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 years ended December 31, 2007, 2006, and 2005, the members participated in the traditional plan, and were required to contribute 8.5 percent of their annual covered salaries during 2005, 9.0 percent during 2006 and 9.5 percent during 2007. The Library's contribution rate for pension benefits for 2005 was 13.55 percent, 13.70 percent for 2006 and 13.85 percent for 2007. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's total required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were \$16,058, \$16,486, and \$10,435 respectively. The full amount has been contributed for 2007, 2006 and 2005. The Ohio Public Employees Retirement System of Ohio (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

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 2007 local government employer contribution rate was 13.85 percent of covered payroll. 5.0 percent of covered payroll was the portion that was used to fund health care from January 1 through June 30, 2007 and 6.0 percent from July 1 through December 31, 2007.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

7. POST-EMPLOYMENT BENEFITS (Continued)

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, 2006, 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 premiums were assumed to increase between .50 and 5.00 percent annually for the next eight 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, 2007 was 374,979. Actual employer contributions for the Library for 2007 which were used to fund post-employment benefits were \$2,447 for January 1 through June 30, 2007 and \$4,020 for July 1 through December 31, 2007. Actual employer contributions for the Library for 2006 and 2005 which were used to fund post-employment benefits were \$5,415.76 and \$4,371 respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

8. SUBSEQUENT EVENT

The Library's purpose is to provide access to quality legal resources to the attorneys in Montgomery County and 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. The Library relies primarily on traffic fines for operating funds. As a result of HB 66 and HB 363 passed in 2005, changes to Law Library funding began to impact the Library in calendar year 2007. Beginning January 1, 2007, a four year phase-out of county support in the form of salaries and benefits for the Law Librarian and two assistants began. Beginning January 1, 2008, a four year phase-out of county support including free space and utilities as well as book shelving will begin.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

9. LOANS FROM THE ASSOCIATION FUND

The Dayton Law Library Association is an exempted organization under provisions of 501(c)(3) of the Internal Revenue Code. The Dayton Law Library Association receives membership dues and financial gifts from its members and supporters. These monies are the private funds of the Dayton Law Library Association, not the public monies. These monies are recorded in the Association Fund. Upon approval of the Board of Trustees of the Dayton Law Library Association, which is elected by its membership, the Association Fund periodically loans monies to the General Fund (Fines Fund) to assist the Dayton Law Library Association in meeting its statutory requirements. 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. Activity in the loans to the fines fund account was as follows for the year ended December 31, 2007:

	<u>2007</u>
Balance, beginning of year	
Loans to the Fines Fund - 2005	<u>\$140,000</u>
	140,000
Current Activity	
Loans to the Fines Fund Repaid - 2005	<u>(140,000)</u>
Balance, end of year	<u>\$ 0</u>

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(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, 2006, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key General Fund highlights for 2006 are as follows:

- Cash decreased in the governmental activities by \$2,895.
- 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 \$966,474 including the receipt of fines previously withheld by the Kettering Municipal Court. Excluding the \$173,228 in fines withheld during prior years, program receipts increased 15% over 2005. Expenses for Information Resources amounted to \$677,106. Personal Services expenses totaled \$152,445. General Expenses totaled \$45,416.
- On September 20, 2006 the Supreme Court of Ohio affirmed the 2005 judgment of the Second District Court of Appeals granting the Law Library's request for a Writ of Mandamus requiring the Clerk of Courts of the Kettering Municipal Court to disburse traffic fine monies collected for the benefit of the Law Library under Ohio Revised Code Section 3375.53 to the Montgomery County Auditor. The Kettering Clerk of Courts held the fines due to a dispute between Kettering and Montgomery County over certain court costs. On November 15, 2006, the Library received \$173,228 withheld by the Kettering Municipal Court for the period of January 2002 through August 2005. The Kettering Municipal Court discontinued the practice of withholding the fines following the August 15, 2005 Court of Appeals decision.
- A loan totaling \$25,000 from the Association Fund was approved at the April 28, 2006 meeting of the Board of Trustees for the payment of 2006 operating expenses. Following the receipt of fines withheld by the Kettering Municipal Court, the loan was repaid to the private fund in December 2006.
- Loans from the Association Fund totaling \$215,000 were approved by the Board of Trustees during 2004 for the payment of 2004 operating expenses as fine and forfeiture income was not sufficient to support the operation. Following the receipt of fines withheld by the Kettering Municipal Court, a total of \$95,000 was repaid to the private fund in December 2006. The remaining balance of \$120,000 was written-off according to Library policy.

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.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)
(Continued)**

Report Components

The Statement of Cash Basis Governmental Activities provides information about the cash activities of the Dayton Law Library.

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

Fund Accounting

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. The Law Library maintains two funds, the General Fund and the Association (private fund). These statements present financial information for the General Fund.

The Association or private fund is derived from membership dues, investment income, and document delivery income. 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.

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 activities reflects how the Library did financially during 2006, within the limitations of cash basis accounting. The statement of activities compares cash disbursements with program receipts for each governmental program. 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.

This statement reports 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 activities includes only governmental activities and the Library's basic services are reported here, including use of information resources. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)
(Continued)**

Governmental Funds

Separate funds can be established to better manage the Library's many activities and to help demonstrate that monies that are restricted are being used for their intended purpose. The Library currently utilizes one fund.

The Library's activities are reported in the governmental fund. The governmental fund financial statement provides a detailed view of the Law Library's governmental 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 governmental funds are presented on the financial statements. The only fund is the General Fund.

Table 1 reflects the changes in net assets in 2006, 2005 and 2004.

**Table 1
Change in Net Assets**

	Governmental Activities		
	2006	2005	2004
Program Expenses			
Information Resources	\$677,106	\$658,161	\$645,335
Personal Services	152,445	138,216	140,199
General Expenses	45,416	38,486	40,022
Repayment of Loans from the Association Fund	120,000		
Total Program Expenses	<u>994,967</u>	<u>834,863</u>	<u>825,556</u>
Program Revenues			
Fines and Forfeitures			
Municipal Courts pursuant to ORC Section 3375.50	15,000	15,000	15,000
District Courts 1 and 2 pursuant to ORC Section 3375.51	142,815	139,785	158,258
Clerk of Common Pleas Court pursuant to ORC Section 3375.52	1,250	1,250	1,250
Municipal/Juvenile Courts pursuant to ORC Section 3375.53	807,409	535,231	431,483
Total Fines and Forfeitures	<u>966,474</u>	<u>691,266</u>	<u>605,991</u>
Net Program Expenses	<u>(28,493)</u>	<u>(143,597)</u>	<u>(219,565)</u>
General Revenues			
Interest	598	448	514
Loans from the Association Fund	25,000	140,000	215,000
Insurance Settlement		8,387	
Total General Revenues	<u>25,598</u>	<u>148,835</u>	<u>215,514</u>
Increase/(Decrease) in Net Assets	<u>(\$ 2,895)</u>	<u>\$ 5,238</u>	<u>(\$ 4,051)</u>

For 2006, program revenues include fines received pursuant to the provisions of the Ohio Revised Code providing for the operation of county law libraries. General revenues include a loan from the Association Fund and interest income.

For 2006, program expenses for the Library represent the overhead costs of running the Library. These include the costs of information resources, personal services and general expenses as well as the repayment of Loans from the Association Fund outstanding from 2004 and approved during 2006.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)
(Continued)**

Current Issues

The Library's purpose is to provide access to quality legal resources to the attorneys in Montgomery County and 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.

The Library relies primarily on traffic fines for operating funds. As a result of HB 66 and HB 363, there will be changes to Law Library funding which will begin to impact the Library during calendar year 2007. Beginning January 1, 2007, a four year phase-out of county support in the form of salaries and benefits for the Law Librarian and two assistants will begin. Beginning January 1, 2008, a four year phase-out of county support including free space and utilities as well as book shelving will begin.

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
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Activities</u>
Assets	
Cash	\$11,208
Total Assets	<u>11,208</u>
Net Assets	
Unrestricted	11,208
Total Net Assets	<u>\$11,208</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, 2006**

	2006
Program Disbursements:	
Information Resources	\$677,106
Personal Services	152,445
General Expenses	45,416
Repayment of Loans from Association Fund	120,000
Total Program Disbursements	994,967
 Program Receipts:	
Fines and Forfeitures	
Municipal Courts pursuant to ORC Section 3375.50	15,000
District Courts 1 and 2 pursuant to ORC Section 3375.51	142,815
Clerk of Common Pleas Court pursuant to ORC Section 3375.52	1,250
Municipal/Juvenile Courts pursuant to ORC Section 3375.53	807,409
Total Program Receipts	966,474
Net Program Expenses	(28,493)
 General Receipts:	
Interest	598
Loans from Association Fund	25,000
Total General Revenues	25,598
Increase (decrease) in Cash	(2,895)
Cash Balance Beginning of Year	14,103
Cash Balance End of Year	\$11,208

See accompanying notes to the basic financial statements.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

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. This means of financial support will be phased-out over a four year period beginning January 1, 2008 pursuant to the provisions of H.B. 66 affecting county law libraries.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2A, 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.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

These Financial Statements follow the basis of accounting the Auditor of State prescribes or permits.

The Library's Basic Financial Statement consists of cash basis governmental activities. The Statement of Net Assets Cash Basis display information about the Library as a whole. This statement includes the financial activities of the primary government. The Library's governmental activities generally are financed through fines and forfeitures or other non-exchange transactions.

The Statement of Activities Cash Basis 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 or regulatory program for which the Library is responsible. Program receipts may include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program.

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 expenses and liabilities) are not recorded in these financial statements.

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 Library utilizes the governmental category of funds.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the Library typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. The Library's fund is financed primarily from fines and forfeitures, and other non-exchange transactions. The Library's governmental fund is the General Fund.

2. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

C. 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 2006 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 General Fund during 2006 was \$598.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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, 2006 was \$4,408,585.

E. 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 \$69,015 as of December 31, 2006.

F. Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are reflected as Loans from Association Fund in the accompanying financial statements.

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.

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 2006 disbursements exceeded program receipts.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

4. DEPOSITS AND INVESTMENTS

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.

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.

**THE DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits with Financial Institutions

At December 31, 2006 the carrying amount of the Library deposits was \$11,208. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, the bank balance was \$25,185. Of the Library's bank balance, 100% of the \$25,185 for 2006 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Library's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Library.

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.

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 DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

6. DEFINED BENEFIT PENSION PLAN (Continued)

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 years ended December 31, 2006, 2005, and 2004, the members participated in the traditional plan, and were required to contribute 8.5 percent of their annual covered salaries during 2005 and 2004. Members were required to contribute 9 percent of their covered salaries during 2006. The Library's contribution rate for pension benefits for 2005 and 2004 was 13.55 percent and 13.70 percent for 2006. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's total required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005 and 2004 were \$16,486, \$10,435, and \$10,049 respectively. The full amount has been contributed for 2006, 2005 and 2004. The Ohio Public Employees Retirement System of Ohio (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

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 2006 local government employer contribution rate was 13.70 percent of covered payroll. 4.50 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, 2005, 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 between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine 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 DAYTON LAW LIBRARY ASSOCIATION
MONTGOMERY COUNTY**

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

7. POST-EMPLOYMENT BENEFITS (Continued)

The number of active contributing participants in the traditional and combined plans as of December 31, 2006, was 369,214. Actual employer contributions for the Library for 2006, 2005, and 2004 which were used to fund post-employment benefits were \$5,416, \$4,371, and \$4,209 respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

8. SUBSEQUENT EVENT

The Library's purpose is to provide access to quality legal resources to the attorneys in Montgomery County and 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. The Library relies primarily on traffic fines for operating funds. As a result of HB 66 and HB 363, there will be changes to Law Library funding which will begin to impact the Library in calendar year 2007. Beginning January 1, 2007, a four year phase-out of county support in the form of salaries and benefits for the Law Librarian and two assistants will begin. Beginning January 1, 2008, a four year phase-out of county support including free space and utilities as well as book shelving will start.

9. LOANS FROM THE ASSOCIATION FUND

The Dayton Law Library Association is an exempted organization under provisions of 501(c)(3) of the Internal Revenue Code. The Dayton Law Library Association receives membership dues and financial gifts from its members and supporters. These monies are the private funds of the Dayton Law Library Association, not the public monies. These monies are recorded in the Association Fund. Upon approval of the Board of Trustees of the Dayton Law Library Association, which is elected by its membership, the Association Fund periodically loans monies to the Fines Fund (the statutory fund) to assist the Dayton Law Library Association in meeting its statutory requirements. 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.

	2006
Balance, beginning of year	
Loans to the Fines Fund – 2004	\$215,000
Loans to the Fines Fund – 2005	140,000
	355,000
Current Activity	
Loans to the Fines Fund – 2006	25,000
Loans to the Fines Fund Repaid - 2006	(25,000)
Loans to the Fines Fund Repaid - 2004	(95,000)
Loans to the Fines Fund Written-off - 2004	(120,000)
	\$140,000
Balance, end of year	

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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, OH 45422-2490

To the Board of Trustees:

We have audited the financial statements of the governmental activity of the Dayton Law Library Association, Montgomery County, (the Library) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 21, 2008, wherein we noted the Library uses a comprehensive basis of accounting other than generally accepted accounting principles. 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.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Library's management in a separate letter dated October 21, 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 did note a noncompliance or other matter that we reported to the Library's management in a separate letter dated October 21, 2008.

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

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

Mary Taylor, CPA
Auditor of State

October 21, 2008



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
NOVEMBER 13, 2008**