



**HENRY LAW LIBRARY
HENRY COUNTY**

FINAL AUDIT

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009
AND THE PERIOD ENDED AUGUST 31, 2010**



Mary Taylor, CPA
Auditor of State

**LAW LIBRARY ASSOCIATION
HENRY COUNTY**

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Mary Taylor, CPA
Auditor of State

Law Library Association
Henry County
609 North Perry Street
Napoleon, Ohio 43545-1798

To the Board of Trustees:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 3, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Law Library Association
Henry County
609 North Perry Street
Napoleon, Ohio 43545-1798

To the Board of Trustees:

We have audited the accompanying financial statements of the general fund and the retained monies fund of the Law Library Association, Henry County, (the Library) as of and for the period ended August 31, 2010 and the years ended December 31, 2009 and 2008. 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 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.

While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the period ended August 31, 2010 and the years ended December 31, 2009 and 2008 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 August 31, 2010 and December 31, 2009 and 2008.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Library's general fund and the retained monies fund as of August 31, 2010 and December 31, 2009 and 2008, and its cash receipts and disbursements for the period and years then ended on the accounting basis Note 1 describes.

House Bill 420 of the 127th General Assembly required the Library to transfer its public cash and property purchased with public funds to the county on or before January 1, 2010. The County assumed accounting responsibilities for these funds commencing in 2010, and the County will present these funds in its financial statements.

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 December 3, 2010, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

December 3, 2010

**LAW LIBRARY ASSOCIATION
HENRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PUBLIC FUNDS
FOR THE PERIOD ENDED AUGUST 31, 2010**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$6,427		\$6,427
Cash Disbursements:			
Employee Fringe Benefits	610		610
Periodicals	8,124	10,453	18,577
Refunds to Relative Income Sources	21,542		21,542
Utilities	12		12
Other	75		75
Total Cash Disbursements	<u>30,363</u>	<u>10,453</u>	<u>40,816</u>
Total Cash Disbursements Over Cash Receipts	<u>(23,936)</u>	<u>(10,453)</u>	<u>(34,389)</u>
Other Financing (Disbursements):			
Remittance to Law Library Resource Board Fund		(4,865)	(4,865)
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts	(23,936)	(15,318)	(39,254)
Public Fund Cash Balances, January 1	<u>23,936</u>	<u>15,318</u>	<u>39,254</u>
Public Fund Cash Balances, December 31	<u><u>23,936</u></u>	<u><u>15,318</u></u>	<u><u>39,254</u></u>

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

**LAW LIBRARY ASSOCIATION
HENRY COUNTY**

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

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
Cash Receipts:			
Fine and Forfeitures	\$88,558		\$88,558
Total Cash Receipts	<u>88,558</u>		<u>88,558</u>
Cash Disbursements:			
Salaries	1,801		1,801
Employee Fringe Benefits	613		613
Periodicals	61,635		61,635
Refunds to Relative Income Sources	5,405		5,405
Utilities	146		146
Other	427		427
Total Cash Disbursements	<u>70,027</u>		<u>70,027</u>
Total Cash Receipts Over Cash Disbursements	<u>18,531</u>		<u>18,531</u>
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(602)		(602)
Remittance from General Fund		\$602	602
Total Other Financing Receipts/(Disbursements)	<u>(602)</u>	<u>602</u>	
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	17,929	602	18,531
Public Fund Cash Balances, January 1	<u>6,007</u>	<u>14,716</u>	<u>20,723</u>
Fund Cash Balances, December 31	<u>\$23,936</u>	<u>\$15,318</u>	<u>\$39,254</u>

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

**LAW LIBRARY ASSOCIATION
HENRY COUNTY**

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

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$80,161		\$80,161
Total Cash Receipts	<u>80,161</u>		<u>80,161</u>
Cash Disbursements:			
Salaries	2,814		2,814
Employee Fringe Benefits	1,440		1,440
Periodicals	64,100		64,100
Refunds to Relative Income Sources	19,439		19,439
Equipment	2,048		2,048
Audit	3,135		3,135
Utilities	197		197
Other	420		420
Total Cash Disbursements	<u>93,593</u>		<u>93,593</u>
Total Cash Disbursements Over Cash Receipts	<u>(13,432)</u>		<u>(13,432)</u>
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(2,760)		(2,760)
Remittance from General Fund		\$2,760	2,760
Total Other Financing Receipts/(Disbursements)	<u>(2,760)</u>	<u>2,760</u>	
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(16,192)	2,760	(13,432)
Public Fund Cash Balances, January 1	<u>22,199</u>	<u>11,956</u>	<u>34,155</u>
Public Fund Cash Balances, December 31	<u>\$6,007</u>	<u>\$14,716</u>	<u>\$20,723</u>

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

**LAW LIBRARY ASSOCIATION
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010 AND DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Henry County Law Library Association (the Library) is governed by a board of three trustees. Members of the Henry County Bar Association annually elect the board members. The Library provides access to all county officers and the judges of the several courts within the county.

The Library operates by receiving a portion of fine and forfeiture monies from the courts (and any associated interest) under Ohio Revised Code (ORC) §§ 3375.50 to .53, inclusive. ORC § 3375.54 authorizes the Library to disburse funds to purchase, lease or rent law books; computer communications consoles to access a system of computerized legal research; microfilm materials and equipment, videotape materials and equipment; audio or visual materials and equipment; and other services, materials, and equipment that provide legal information or facilitate legal research.

ORC §3375.49 requires the Henry County Commissioners to provide adequate facilities for the Library, including suitable bookcases, heating and lighting for the rooms.

The Board of Trustees elects a librarian and not more than two assistant law librarians. The Judges of the Court of Common Pleas of Henry County fix these librarians' compensation pursuant to ORC § 3375.48. The Library provides free access to all county officers and the judges of the several courts.

During 2009, Ohio Rev. Code Section 3375.48 made the county commissioners responsible for compensating the librarian and up to two assistants and for the costs of the space and utilities. During 2008, the county commissioners were responsible for 60% of the librarian's and assistants' compensation and for 80% the costs of the space and utilities for the law library as required by Ohio Revised Code Section 3375.49. The Law Library paid 100% of the two assistants' compensation in 2008 and 2009.

As of January 1, 2010, a Law Library Resources Board (LLRB) will govern county law libraries. Each county will establish a county law library resources fund (LLRF) as required by Ohio Revised Code Section 307.514. On or before January 1, 2010 the Library must transfer money and property purchased with fine and penalties monies to the LLRB. Expenditures from the LLRF fund shall be made pursuant to the annual appropriation measure adopted by the commissioners. As described in Note 3 the Library did not make this final transfer until August 18, 2010.

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

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.

**LAW LIBRARY ASSOCIATION
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010 AND DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

C. 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 is the general operating fund. It is used to account 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.

D. Property, Plant, and Equipment

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

E. Refund to Relative Income Sources

If certain conditions are met, Ohio Revised Code § 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 must refund at least ninety percent of the unencumbered balance to the political subdivisions who provided the funds and retains the remainder. Ohio Revised Code § 3375.56 requires this "refund to relative income sources". The following tables present the refunded and retained amounts during 2009 and 2008.

Balance at December 31, 2008	
Refunded and Retained During Calendar Year 2009	
Balance at December 31, 2008	\$6,007
Refunded to Relative Sources during 2009	5,405
Retained Funds Amount during 2009	<u>\$602</u>

**LAW LIBRARY ASSOCIATION
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010 AND DECEMBER 31, 2009 AND 2008
(Continued)**

2. Refund To Relative Income Sources And Amount Retained (Continued)

Balance at December 31, 2007	
<u>Refunded and Retained During Calendar Year 2008</u>	
Balance at December 31, 2007	\$22,199
Refunded to Relative Sources during 2008	<u>19,439</u>
Retained Funds Amount during 2008	<u><u>\$2,760</u></u>

3. Closeout Transfer to County

HB 420 of the 127th General Assembly required the Library to transfer its public cash and property purchased with public funds to the county on or before January 1, 2010. The County assumed accounting responsibilities for these funds commencing in 2010. The Library transferred \$4,865 to the County on August 18, 2010.

4. Equity in Pooled Deposits

The Library maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at August 31, 2010 and December 31, 2009 and 2008 was as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Demand deposits	<u><u> </u></u>	<u><u>\$39,254</u></u>	<u><u>\$20,723</u></u>

Deposits are insured by the Federal Depository Insurance Corporation.

5. Risk Management

The Law Library's commercial insurance is provided by the Henry County Commissioners, as their location is in the Henry County Courthouse.



Mary Taylor, CPA

Auditor of State

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

Law Library Association
Henry County
609 North Perry Street
Napoleon, Ohio 43545-1798

To the Board of Trustees:

We have audited the financial statements of the Law Library Association, Henry County, (the Library) as of and for the period ending August 31, 2010 and the years ended December 31, 2009 and 2008, and have issued our report thereon dated December 3, 2010, wherein we noted the Library followed accounting practices the Auditor of State prescribes or permits 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 and that State Statute requires the Library to transfer its public funds to the County. The County assumed accounting responsibilities for the Library in 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted a certain matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated December 3, 2010.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Library. 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

December 3, 2010

**LAW LIBRARY ASSOCIATION
HENRY COUNTY**

**SCHEDULE OF FINDINGS
AUGUST 31, 2010 AND DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Finding for Recovery

Ohio Revised Code § 3375.49, prior to being amended on December 31, 2008, stated that the board of trustees of a law library association was responsible for paying forty percent of the compensation of (i) a librarian and (ii) up to two assistant librarians for calendar year 2008.

Ohio Revised Code § 3375.49, effective as of December 31, 2008, states, in part, that during calendar year 2009, the board of county commissioners shall be responsible for paying the compensation of (i) the librarian and (ii) up to two assistant librarians of the law library appointed by the board of trustees of the law library association under Ohio Revised Code § 3375.48, as repealed by House Bill 420.

The Law Library Association paid all of the Assistant Law Librarian's compensation for calendar years 2008 and 2009, while the County paid the salary of the Law Librarian each year. This resulted in the County paying \$911 in excess of its statutorily required share in 2008 and the Law Library Association paying \$1,801 in excess of its statutorily required share for 2009. The net overpayment by the Law Library Association is calculated as follows:

Year	Librarian and Asst. Salaries	Amount County Responsible For	Amount Paid by County	Over/(Under) Payment by County
2008	\$6,814.47	\$4,088.68	\$5,000.00	\$911.32
2009	\$6,801.16	6,801.16	5,000.00	(1,801.16)
Total	\$13,615.63	\$10,889.84	\$10,000.00	(\$889.84)

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Henry County General Fund, in the amount of \$889 and in favor of the County Law Library Resources Fund.

As of January 1, 2010, Ohio Revised Code § 307.514 required the Law Library Association to transfer funds to the newly created Law Library Resources Fund of the County. Due to the changes required by House Bill 420, monies should be repaid to the Henry County Law Library Resources Fund.

FINDING NUMBER 2009-002

Material Noncompliance

Am. H.B. No. 420, 2008, General Assembly, Section 309(A) states that on or before January 1, 2010, a law library association shall transfer both of the following to the county law library resources board in the county in which the law library association is located:

- (1) All unspent fines and penalties in the law library's general fund and retained moneys fund collected pursuant to sections 3375.50 to 3375.53 of the Revised Code, as amended or repealed by this act;

- (2) All personal property that the law library association can reasonably identify as having been purchased by the fines and penalties in the law library's general fund or retained moneys fund collected pursuant to sections 3375.50 to 3375.53 of the Revised Code, as amended or repealed by this act.

The Law Library Association continued to receive fines and forfeitures in the amount of \$6,427 in its outside bank account in 2010 as well as making total disbursements of \$40,900 from its bank account in 2010. The final distribution of unspent law library resources in the amount of \$4,865 was not made until August 18, 2010.

This results in the County Law Library Resources Fund activity being understated in 2010. We recommend all law library revenues and expenditures be made through the newly created Henry County Law Library Resources Fund.

Officials' Response:

We received no response from Officials to the findings reported above.

**LAW LIBRARY ASSOCIATION
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
AUGUST 31, 2010 AND DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Finding for Recovery against Ohio Revised Code § 3375.56- for underpayments of refunds due by \$19,439.27	Yes	
2007-002	Finding for Recovery against Ohio Revised Code Section 3375.49- for failing to pay \$1,659 of the Librarian's earnable salary	Yes	
2007-003	Recommended to improve accounting of Refunds to Relative Income Sources	Yes	

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Mary Taylor, CPA
Auditor of State

HENRY LAW LIBRARY ASSOCIATION

HENRY 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
DECEMBER 21, 2010**