



**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009-2008



Mary Taylor, CPA
Auditor of State

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

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

Mary Taylor

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Auditor of State

July 16, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

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

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

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

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

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 December 31, 2009 and 2008 or its changes in financial position for the years then ended.

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

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

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 will assume 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 July 16, 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

July 16, 2010

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

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

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
Cash Receipts:			
Fine and Forfeitures	\$ 190,876	\$ -	\$ 190,876
Interest		266	266
Total Cash Receipts	190,876	266	191,142
Cash Disbursements:			
Supplies and Materials	261,833		261,833
Equipment	1,821	-	1,821
Purchased Services	1,347	-	1,347
Miscellaneous	462	-	462
Total Cash Disbursements	265,463	-	265,463
Total Cash Receipts Over/(Under) Cash Disbursements	(74,587)	266	(74,321)
Other Financing Receipts/(Disbursements):			
Transfers-In	100,793	-	100,793
Transfer out	-	(100,793)	(100,793)
HB 420 transfer to County Auditor (See Note 3)	(15,000)	-	(15,000)
Total Other Financing Receipts/(Disbursements)	85,793	(100,527)	(15,000)
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	11,206	(100,527)	(89,321)
Public Fund Cash Balances, January 1	(27,595)	134,269	106,674
Public Fund Cash Balances, December 31	\$ (16,389)	\$ 33,742	\$ 17,353

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

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

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

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$ 184,847	\$ -	\$ 184,847
Interest		2,290	2,290
	<u>184,847</u>	<u>2,290</u>	<u>187,137</u>
Total Cash Receipts	<u>184,847</u>	<u>2,290</u>	<u>187,137</u>
Cash Disbursements:			
Supplies and Materials	185,977	-	185,977
Equipment	926	-	926
Purchased Services	4,810	-	4,810
Miscellaneous	1,009	-	1,009
	<u>192,722</u>	<u>-</u>	<u>192,722</u>
Total Cash Disbursements	<u>192,722</u>	<u>-</u>	<u>192,722</u>
Total Cash Receipts Over Cash Disbursements	(7,875)	2,290	(5,585)
Public Fund Cash Balances, January 1	<u>(19,720)</u>	<u>131,979</u>	<u>112,259</u>
Public Fund Cash Balances, December 31	<u>\$ (27,595)</u>	<u>\$ 134,269</u>	<u>\$ 106,674</u>

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

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Library operates by receiving a portion of fine and forfeiture monies from the courts (and any associated interest) under Ohio Revised Code (ORC) §§ 3375.50 to .53, inclusive. ORC § 3375.54 authorizes the Library to disburse funds to purchase, lease or rent 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 Madison County Commissioners to provide adequate facilities for the Library, including suitable bookcases, heating and lighting for the rooms.

The Board of Trustees hires a librarian. The Judges of the Court of Common Pleas of Madison County compensates the librarian pursuant to ORC § 3375.48. If the Library provides free access to all county officers and the judges of the several courts, the County treasury pays the librarians' salary. If the Library does not provide free access, the Library must pay the librarians' salary.

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. During 2009 the Library had one employee, for which the County paid 100% of their salary. However, during 2008 the Library did not have an employee.

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.

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

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

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

B. Accounting Basis

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

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

C. Deposits and Investments

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

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

2. Retained Monies Fund

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

E. Property, Plant, and Equipment

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

F. Refund to Relative Income Sources

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

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

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

2. REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED

Through 2008, if 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 Library did not have an unencumbered balance in 2008.

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 will assume accounting responsibilities for these funds commencing in 2010. In 2009 the Library transferred \$15,000 to the County. The Library transferred additional funds to the County in February 2010. See note 6.

4. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2009	2008
Demand deposits	\$8,461	\$1,024
Saving Accounts	6,911	6,911
Total deposits	15,372	7,935
Certificate of Deposit	1,981	98,739
Total deposits and investments	\$17,353	\$106,674

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

5. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

6. SUBSEQUENT EVENT NOTE

In February 2010 the Library transferred the remaining private and public fund balances to County Auditor. The following table shows the activity subsequent to the year ended 2009:

Beginning balance	\$17,353
Private monies	10,257
Receipts	0
Disbursements	(4,911)
Balance transferred to the county	\$22,699

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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*

We have audited the financial statements of the Madison County Law Library Association, Madison County, Ohio (the Library) as of and for the years ended December 31, 2009 and 2008 and have issued our report thereon dated July 16, 2010 wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also disclosed the financial statements include only the general fund and retained monies fund. We also disclosed that State Statute requires the Library to transfer its public funds to the County. The County will assume 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

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 also noted certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated July 16, 2010.

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

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

July 16, 2010

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

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

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

FINDING NUMBER 2009-001

Material Weakness

The annual financial reports filed by the Law Library for 2009 and 2008 were inaccurate. In 2009, adjustments were necessary do to the Library records for \$100,793 in expenditures made using the retained monies and \$15,000 in General fund expenditures that were not recorded within their accounting ledgers. Accounting adjustments were also required for 2009 and 2008 in the amount of \$266 and \$2,290 respectfully, to properly reflect interest earning on investments. In addition, there were several audit adjustments in 2009 and 2008 ranging from \$301 to \$12,029 that were necessary to accurately reflect revenues, expenditures and fund balances. Furthermore, the Library did not implement the necessary procedures to ensure the completeness and accuracy of information reported within the financial statements.

Financial statements presented in this manner prevent users of the Library's financial reports from having reliable information regarding the available fund balances. Effective January 1, 2010, the Madison County Auditor began the duties of record-keeping for the Library; however the Library should maintain its own ledgers for revenues and expenditures to ensure reconciliation with the County Auditor's records. These ledgers will help the Clerk to prepare reports for the Board to assist them in making informed decisions and to help determine if budget amendments are necessary. In addition, we recommend the Library implement additional procedures to provided assurance over the completeness and accuracy of its financial information.

Officials' Response: We did not receive a response from the Officials for the finding.

**MADISON COUNTY LAW LIBRARY ASSOCIATION
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 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>
2007-01	Proper posting of Interest revenue	no	Repeated as part of finding number 2009-001
2007-02	Financial Reporting	no	Repeated as 2009-001



Mary Taylor, CPA
Auditor of State

MADISON COUNTY LAW LIBRARY ASSOCIATION

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
SEPTEMBER 2, 2010**