



Mary Taylor, CPA
Auditor of State

PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY

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Mary Taylor, CPA

Auditor of State

Preble County District Library
Preble County
450 South Barron Street
Eaton, Ohio 45320

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 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.

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

Mary Taylor, CPA
Auditor of State

June 11, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Preble County District Library
Preble County
450 South Barron Street
Eaton, Ohio 45320

To the Board of Trustees:

We have audited the accompanying financial statements of the Preble County District Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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, 2006 and 2005 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, 2006 and 2005, 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 combined fund cash balances and reserves for encumbrances of the Preble County District Library, Preble County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 June 11, 2007, 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.

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

Mary Taylor, CPA
Auditor of State

June 11, 2007

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

| | <u>General</u> | <u>Capital Projects</u> | <u>Permanent</u> | <u>Totals (Memorandum Only)</u> |
|---|--------------------------------|-------------------------------|------------------------------|---|
| Cash Receipts: | | | | |
| Other Government Grants-In-Aid | \$1,348,867 | | | \$1,348,867 |
| Patron Fines and Fees | 4,333 | | | 4,333 |
| Earnings on Investments | 22,491 | | \$122 | 22,613 |
| Contributions, Gifts and Donations | 4,139 | | | 4,139 |
| Miscellaneous Receipts | 34,107 | | | 34,107 |
| | <u>1,413,937</u> | <u>0</u> | <u>122</u> | <u>1,414,059</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Salaries and Benefits | 825,064 | | | 825,064 |
| Purchased and Contracted Services | 199,570 | | | 199,570 |
| Library Materials and Information | 300,249 | | 64 | 300,313 |
| Supplies | 41,966 | | | 41,966 |
| Other | 8,739 | | | 8,739 |
| Capital Outlay | 26,802 | | | 26,802 |
| | <u>1,402,390</u> | <u>0</u> | <u>64</u> | <u>1,402,454</u> |
| Total Cash Receipts Over Cash Disbursements | <u>11,547</u> | <u>0</u> | <u>58</u> | <u>11,605</u> |
| Fund Cash Balances, January 1 | <u>415,446</u> | <u>12,929</u> | <u>3,524</u> | <u>431,899</u> |
| Fund Cash Balances, December 31 | <u><u>\$426,993</u></u> | <u><u>\$12,929</u></u> | <u><u>\$3,582</u></u> | <u><u>\$443,504</u></u> |
| Reserves for Encumbrances, December 31 | <u>\$34,366</u> | <u>\$0</u> | <u>\$0</u> | <u>\$34,366</u> |

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

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | <u>General</u> | <u>Capital Projects</u> | <u>Permanent</u> | <u>Totals (Memorandum Only)</u> |
|---|-------------------------|-----------------------------|-----------------------|---|
| Cash Receipts: | | | | |
| Other Government Grants-In-Aid | \$1,247,082 | \$100,000 | | \$1,347,082 |
| Patron Fines and Fees | 24,948 | | | 24,948 |
| Earnings on Investments | 10,568 | | | 10,568 |
| Contributions, Gifts and Donations | 1,956 | | | 1,956 |
| Miscellaneous Receipts | 16,413 | | | 16,413 |
| | <u>1,300,967</u> | <u>100,000</u> | <u>0</u> | <u>1,400,967</u> |
| Total Cash Receipts | | | | |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Salaries and Benefits | 741,246 | | | 741,246 |
| Purchased and Contracted Services | 201,622 | | | 201,622 |
| Library Materials and Information | 245,831 | | 197 | 246,028 |
| Supplies | 37,070 | | | 37,070 |
| Other | 5,964 | | | 5,964 |
| Capital Outlay | 28,723 | 88,568 | | 117,291 |
| | <u>1,260,456</u> | <u>88,568</u> | <u>197</u> | <u>1,349,221</u> |
| Total Cash Disbursements | | | | |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>40,511</u> | <u>11,432</u> | <u>(197)</u> | <u>51,746</u> |
| Fund Cash Balances, January 1 | <u>374,935</u> | <u>1,497</u> | <u>3,721</u> | <u>380,153</u> |
| Fund Cash Balances, December 31 | <u>\$415,446</u> | <u>\$12,929</u> | <u>\$3,524</u> | <u>\$431,899</u> |
| Reserves for Encumbrances, December 31 | <u>\$28,257</u> | <u>\$0</u> | <u>\$0</u> | <u>\$28,257</u> |

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

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Preble County District Library, Preble County, Ohio (the Library), as a body corporate and politic. The Library is directed by a seven-member Board of Trustees. Four Board members are appointed by the Preble County Commissioners and three are appointed by the Preble County Common Pleas Judge. The Library provides the community with various educational and literary resources.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

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

The Library values certificates of deposits at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

2. Capital Project Fund

This fund account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following capital project fund:

Building Fund – This fund is used to record the related receipts and expenditures of the Library's building fund.

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Permanent Fund

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Library's programs. The Library had the following permanent fund:

Scott Sheley Fund – This fund is used to record the receipts and expenditures of the Scott Sheley Trust Fund.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control. Although not required by law to encumber, the Library has chosen to utilize the encumbrance method of accounting.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | 2006 | 2005 |
|------------------------------------|-----------|-----------|
| Demand deposits | \$174,368 | \$417,409 |
| Certificates of deposit | 3,000 | 2,700 |
| Cash on hand | 330 | 300 |
| Total deposits | 177,698 | 420,409 |
| STAR Ohio | 265,806 | 11,490 |
| Total investments | 265,806 | 11,490 |
| Total deposits and investments | \$443,504 | \$431,899 |

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

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments: Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

| 2006 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,377,141 | \$1,413,937 | \$36,796 |
| Capital Projects | 0 | 0 | 0 |
| Fiduciary | 100 | 122 | 22 |
| Total | \$1,377,241 | \$1,414,059 | \$36,818 |

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,514,313 | \$1,436,756 | \$77,557 |
| Capital Projects | 0 | 0 | 0 |
| Fiduciary | 100 | 64 | 36 |
| Total | \$1,514,413 | \$1,436,820 | \$77,593 |

| 2005 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,272,141 | \$1,300,967 | \$28,826 |
| Capital Projects | 100,000 | 100,000 | 0 |
| Fiduciary | 0 | 0 | 0 |
| Total | \$1,372,141 | \$1,400,967 | \$28,826 |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,432,552 | \$1,288,713 | \$143,839 |
| Capital Projects | 101,497 | 88,568 | 12,929 |
| Fiduciary | 1,000 | 197 | 803 |
| Total | \$1,535,049 | \$1,377,478 | \$157,571 |

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

4. GRANTS-IN-AID RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

5. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries for 2005 and 9 percent for 2006. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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



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*

Preble County District Library
Preble County
450 South Barron Street
Eaton, Ohio 45320

To the Board of Trustees:

We have audited the financial statements of the Preble County District Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 11, 2007 wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the 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. However, the significant deficiency described above as finding number 2006-001, we believe is also a material weakness.

We noted certain matters that we reported to the Library's management in a separate letter dated June 11, 2007.

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 certain noncompliance or other matter that we reported to the Library's management in a separate letter dated June 11, 2007.

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



Mary Taylor, CPA
Auditor of State

June 11, 2007

PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Significant Deficiency - Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly classified and recorded on the books and in the annual report to ensure that accounting records are accurate as to the type of revenue that is received.

The Library lacked management oversight in the proper recording of intergovernmental revenue of the Library. This lack of oversight is illustrated by the following:

The Library recorded intergovernmental revenue as tax revenue on the Library's Annual Report and in the Library's financial records. During 2006, \$1,347,082 was misclassified in the General Fund and in 2005, \$1,247,082 and \$100,000 was misclassified in the General and Capital Projects Funds respectively.

Audit adjustments were made to the accompanying financial statements for the above items.

The lack of proper management oversight could result in material misstatement to the financial records and statements of the Library. To improve recordkeeping and accountability of intergovernmental revenues:

We recommend that the District use due care in posting intergovernmental revenues to the Library's books.

Officials' Response:

We did not receive a response from Officials to these findings.



Mary Taylor, CPA
Auditor of State

PREBLE COUNTY DISTRICT LIBRARY

PREBLE 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
AUGUST 9, 2007**