



Mary Taylor, CPA  
Auditor of State



**PREBLE COUNTY LAW LIBRARY ASSOCIATION  
PREBLE COUNTY**

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# Mary Taylor, CPA

Auditor of State

Preble County Law Library Association  
Preble County  
101 East Main 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 a February 2, 2005 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

April 26, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Preble County Law Library Association  
Preble County  
101 East Main Street  
Eaton, Ohio 45320

To the Board of Trustees:

We have audited the accompanying financial statements of the general fund and the retained monies fund of the Preble County Law Library Association, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements for 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, 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 fund cash balances of the Library's general fund and the retained monies fund as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 April 26, 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.



**Mary Taylor, CPA**  
Auditor of State

April 26, 2007



**PREBLE COUNTY LAW LIBRARY ASSOCIATION  
PREBLE COUNTY**

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

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Fine and Forfeitures	\$126,060	\$0	\$126,060
Interest	1,786		1,786
Miscellaneous Receipts	536		536
	<hr/>		<hr/>
Total Cash Receipts	128,382	0	128,382
	<hr/>		<hr/>
<b>Cash Disbursements:</b>			
Books and Subscriptions	96,619		96,619
Contract Services	4,068		4,068
Insurance	2,336		2,336
Utilities	1,762		1,762
Equipment	400		400
Refunds to Relative Income Sources - See Note 2	18,137		18,137
Miscellaneous	723		723
	<hr/>		<hr/>
Total Cash Disbursements	124,045	0	124,045
	<hr/>		<hr/>
Total Cash Receipts Over Cash Disbursements	4,337	0	4,337
	<hr/>		<hr/>
<b>Other Financing Receipts/(Disbursements):</b>			
Remittance to Retained Funds	(2,015)	2,015	0
	<hr/>		<hr/>
Total Other Financing Receipts/(Disbursements)	(2,015)	2,015	0
	<hr/>		<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	2,322	2,015	4,337
Public Fund Cash Balances, January 1	94,399	1,958	96,357
	<hr/>		<hr/>
<b>Public Fund Cash Balances, December 31</b>	<b><u>\$96,721</u></b>	<b><u>\$3,973</u></b>	<b><u>\$100,694</u></b>

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

**PREBLE COUNTY LAW LIBRARY ASSOCIATION  
PREBLE COUNTY**

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

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Fine and Forfeitures	\$96,275	\$0	\$96,275
Interest	1,578		1,578
Miscellaneous Receipts	781		781
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	98,634	0	98,634
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Books and Subscriptions	84,588		84,588
Contract Services	7,180		7,180
Insurance	2,262		2,262
Utilities	1,757		1,757
Miscellaneous	1,282		1,282
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	97,069	0	97,069
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	1,565	0	1,565
	<hr/>	<hr/>	<hr/>
Public Fund Cash Balances, January 1	92,834	1,958	94,792
	<hr/>	<hr/>	<hr/>
<b>Public Fund Cash Balances, December 31</b>	<b><u>\$94,399</u></b>	<b><u>\$1,958</u></b>	<b><u>\$96,357</u></b>

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

**PREBLE COUNTY LAW LIBRARY ASSOCIATION  
PREBLE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Preble County Law Library Association, Preble County, Ohio (the Library), is governed by a board of five trustees who are elected annually by members of the Preble County Bar Association. The Library provides access to all county officers and the judges of the several courts within the county.

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

ORC §3375.49 requires the Preble 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 and one assistant law librarian. The Judges of the Court of Common Pleas of Preble County fix these librarians' compensation 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.

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

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting 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. Cash and Deposits**

The Library values certificates of deposit at cost.

**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:

**PREBLE COUNTY LAW LIBRARY ASSOCIATION  
PREBLE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. General Fund**

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

**2. Retained Monies Fund**

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

**E. Property, Plant, and Equipment**

The Library records disbursements for equipment acquisitions when paid. The accompanying financial statements do not report these items as assets. The Library deems computers, copiers, fax machines, and other items related toward facilitating the use of equipment as equipment.

**F. Refund to Relative Income Sources**

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

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with the Library's accounting basis. Neither is such data comparable to a consolidation. The Library does not eliminate interfund transactions when aggregating this data.

**PREBLE COUNTY LAW LIBRARY ASSOCIATION  
PREBLE COUNTY**

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

**2. REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED**

In any year that receipts exceed disbursements, the Library refunds at least ninety percent of the remaining 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 2006 and 2005.

Balance at December 31, 2005	
Refunded and Retained During Calendar Year 2006	
Balance at December 31, 2005	\$96,357
Refunded to Relative Sources during 2006	18,137
Retained Funds Amount during 2006	2,015

Balance at December 31, 2004	
Refunded and Retained During Calendar Year 2005	
Balance at December 31, 2004	\$94,792
Refunded to Relative Sources during 2005	-
Retained Funds Amount during 2005	-

**3. EQUITY IN POOLED CASH AND DEPOSITS**

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

	2006	2005
Demand deposits	\$3,814	\$1,066
Savings Accounts	41,836	41,333
Certificates of deposit	55,044	53,957
Total deposits	\$100,694	\$96,356

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Library.

**4. RISK MANAGEMENT**

**Commercial Insurance**

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

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

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# Mary Taylor, CPA

Auditor of State

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

Preble County Law Library Association  
Preble County  
101 East Main Street  
Eaton, Ohio 45320

To the Board of Trustees:

We have audited the financial statements of the general fund and the retained monies fund of the Preble County Law Library Association, Preble County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 26, 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 preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting 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.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

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



**Mary Taylor, CPA**  
Auditor of State

April 26, 2007



**PREBLE COUNTY LAW LIBRARY ASSOCIATION  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Significant Deficiency and Material Noncompliance**

Ohio Admin. Code 117-2-02(A) requires local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related, document compliance with finance-related legal and contractual requirements and prepare financial statements required by Rule 117-2-03 of the Administrative Code. Ohio Admin. Code 117-2-02 further suggests using a cash journal, which typically contains the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transactions within the accounting records, and ultimately, the financial statements.

The Law Library Association maintained several bank accounts during the audit period. While the Association maintained a cash journal for its general checking account, the cash journal did not include two savings accounts and two certificates of deposit.

Lack of accounting for all public funds increases the risk that inaccurate or incomplete financial statements, commingling of funds, fraud or theft would not be detected in a timely manner.

We recommend that the Law Library Association account for all their financial activity related to their public funds in a cashbook that identifies financial activities as either general fund or retained monies fund activity. Receipts, disbursements, and cash balances should be maintained separately for the general and retained monies fund in order to provide documentation to support their year end report to the County Auditor.

**Officials' Response:**

We did not receive a response from Officials to this finding.

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PREBLE COUNTY LAW LIBRARY ASSOCIATION  
PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Failure to maintain a cashbook of all activity.	No	Not corrected. Reissued as Finding 2006-001.





**Mary Taylor, CPA**  
Auditor of State

**LAW LIBRARY ASSOCIATION**

**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  
MAY 10, 2007**