



**Auditor of State
Betty Montgomery**

**PREBLE COUNTY LAW LIBRARY ASSOCIATION
PREBLE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Preble County Law Library Association
Preble County
101 East Main Street
Eaton, OH 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, 2002 and 2001. 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 obtain reasonable assurance about 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.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. Also, the financial statements present only the general fund and the retained monies fund and are not intended to present fairly the financial position and results of operations of the Library in conformity with the basis of accounting as described in Note 1.

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, 2002 and 2001, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 8, 2004

**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, 2002**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$196,247	\$0	\$196,247
Interest	1,460		1,460
Miscellaneous Receipts	655		655
	<hr/>		<hr/>
Total Cash Receipts	198,362	0	198,362
	<hr/>		<hr/>
Cash Disbursements:			
Salaries and Benefits	15,212		15,212
Books and Subscriptions	117,699		117,699
Contract Services	53,599		53,599
Insurance	1,759		1,759
Utilities	1,736		1,736
Equipment	8,884		8,884
Refunds to Relative Income Sources	0		0
Miscellaneous	3,327		3,327
	<hr/>		<hr/>
Total Cash Disbursements	202,215	0	202,215
	<hr/>		<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(3,853)	0	(3,853)
	<hr/>		<hr/>
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(585)	585	0
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(585)	585	0
	<hr/>		<hr/>
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(4,438)	585	(3,853)
	<hr/>		<hr/>
Public Fund Cash Balances, January 1	95,726	303	96,029
	<hr/>	<hr/>	<hr/>
Public Fund Cash Balances, December 31	\$91,288	\$888	\$92,176

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, 2001**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$164,576	\$0	\$164,576
Interest	2,774		2,774
Miscellaneous Receipts	443		443
	<hr/>		<hr/>
Total Cash Receipts	167,793	0	167,793
	<hr/>		<hr/>
Cash Disbursements:			
Salaries and Benefits	16,931		16,931
Books and Subscriptions	77,333		77,333
Contract Services	47,657		47,657
Insurance	947		947
Utilities	1,521		1,521
Equipment	9,244		9,244
Refunds to Relative Income Sources	2,725		2,725
Miscellaneous	5,096		5,096
	<hr/>		<hr/>
Total Cash Disbursements	161,454	0	161,454
	<hr/>		<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	6,339	0	6,339
	<hr/>		<hr/>
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(303)	303	0
	<hr/>		<hr/>
Total Other Financing Receipts/(Disbursements)	(303)	303	0
	<hr/>		<hr/>
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	6,037	303	6,339
	<hr/>		<hr/>
	89,690		89,690
	<hr/>		<hr/>
Public Fund Cash Balances, December 31	\$95,727	\$303	\$96,029
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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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Preble County Law Library Association (the Library) is directed by a board of five trustees who are elected annually by members of the Preble County Bar Association. The Library provides free access for 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) Sections 3375.50 to .53, inclusive. The Library is permitted to expend funds under ORC Section 3375.54. The funds of the Library are expended on the purchase, lease or rental of 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.

The Preble County Commissioners are required by ORC Section 3375.49 to provide adequate facilities for the Library. The Board of County Commissioners is required to provide 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 the compensation of the librarian and up to two assistant librarians pursuant to ORC Section 3375.48. If the Library provides free access to all county officers and the judges of the several courts, the salary of the law librarian and up to two assistants should be paid from the county treasury. If the conditions above are not met, then the salary of the librarian and any assistants should be paid by the Library.

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

Some funds received by the Library are considered private monies. Private monies include: membership dues, overdue book charges and photocopying charges. Fees collected for the use of books and copiers remain private even though the books and copiers may have been purchased with public funds. Private monies can be disbursed at the discretion of the Library. The accompanying financial statements do not present private monies.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in Fund Cash Balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Certificates of deposit are valued at cost.

**PREBLE COUNTY LAW LIBRARY ASSOCIATION
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Library uses fund accounting to segregate cash and deposits 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 consists of monies retained by the Library under Ohio Revised Code § 3375.56. At the end of each calendar year the Library is permitted under law to retain up to ten percent of their unencumbered balance. See footnote 3 for additional information.

E. Property, Plant and Equipment

Acquisitions of equipment are recorded as equipment disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Items purchased which are deemed to be equipment are computers, copiers, fax machines, and other items related toward facilitating the use of the equipment.

F. Refund to Relative Income Sources

If certain conditions are met, the Library is required to refund at least ninety percent of any *unencumbered* balance to political subdivisions that provided revenues to the Library. See Footnote 3 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 basis of accounting described above. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. ACCOUNTING CHANGE

Prior to January 1, 2001, the retained monies fund was not disclosed by the Library. Effective January 1, 2001, the Library determined the amounts relating to their Retained Monies Fund by reviewing the 2000 annual report submitted to the County Auditor to support the balance.

**PREBLE COUNTY LAW LIBRARY ASSOCIATION
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. CALCULATION OF REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED

In any year that revenues exceed disbursements, the Library refunds at least ninety percent of the remaining balance to the political subdivisions who provided the funds and retains the remaining amount. This refund process is referred to as the application of ORC 3375.56 or refund to relative income sources. The following charts present the refunded and retained amounts during 2002 and 2001. Contrary to Ohio Law, the Law Library did not remit correct amounts to the County and Political Subdivisions for calendar year 2001 according to Ohio Revised Code Section 3375.56.

<i>Unencumbered Balance at December 31, 2002</i>	
<u>Refunded and Retained During Calendar Year 2003</u>	
Unencumbered Balance at December 31, 2002	\$92,176
Refunded to Relative Sources during 2003	0
Retained Funds Amount during 2003	0

<i>Unencumbered Balance at December 31, 2001</i>	
<u>Refunded and Retained During Calendar Year 2002</u>	
Unencumbered Balance at December 31, 2001	\$96,029
Refunded to Relative Sources during 2002	5,263
Retained Funds Amount during 2002	585

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$30,570	\$80,138
Certificates of Deposit	50,000	0
Savings Accounts	11,606	15,891
Total deposits	\$ 92,176	\$ 96,029

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Library.

5. RISK MANAGEMENT

Commercial Insurance

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

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

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**Auditor of State
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Preble County Law Library Association, Preble County, Ohio (the Library), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated January 8, 2004, wherein we indicated the financial statements only include the general fund and the retained monies fund. We also noted the Library has included the retained monies fund for the first time. 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.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 to 2002-004. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated January 8, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information and use of the audit committee, management, and the *Board of Trustees*, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 8, 2004

**PREBLE COUNTY LAW LIBRARY ASSOCIATION
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002- 001

Material Noncompliance Citation

Ohio Revised Code, Section 3375.48, requires that the judges of the court of common pleas of any county in which there is a law library association which furnishes to all of the members of the Ohio general assembly, the county officers and the judges of the several courts in the county admission to its library and the use of its books free of charge, upon the appointment by the Board of Trustees of such association of a person to act as librarian thereof, or of a person to act as librarian and not more than two additional persons to act as assistant law librarian thereof, shall fix the compensation of such persons which shall be paid from the county treasury. Contrary to this provision, the Preble County Law Library Association paid the salaries of the law librarian and one assistant during both 2002 and 2001. This was corrected in April of 2003.

FINDING NUMBER 2002- 002

Noncompliance Citation/Reportable Condition

Ohio Revised Code, Section 3375.56, requires on the first Monday of each year, the board of trustees of the law library association shall make a detailed statement to the county auditor, verified by the oath of the treasurer of the association, of the amount of the fines and penalties received under sections 3375.50 to 3375.53, inclusive, of the Revised Code, and of the money expended by the association. The Preble County Law Library Association did not file the annual report with the County Auditor by the first Monday of each year. The report was filed with the County Auditor on April 1, 2002 for fiscal year 2001 and on March 28, 2003 for fiscal year 2002.

Additionally, the annual report submitted to the County Auditor contained the following inaccuracies:

- During 2002 and 2001, expenditures were recorded to transfer funds from one bank account to another in the amount of \$303 and \$100 respectively. This movement of money should be recorded as transfers instead of expenditures.
- During 2001, \$19,000 was deposited into the equipment checking and savings account. The Law Library Association failed to record this revenue on the annual report submitted to the Preble County Auditor. During 2001 and 2002, equipment purchases of \$9,244 and \$8,884 respectively were made out of the equipment checking account. These expenditures were not included on the annual report submitted to the Preble County Auditor.
- During 2001, interest earned on deposits in the equipment savings account and old money account, and during 2002, interest earned on deposits in the equipment savings, old money, and excess fine money were not included on the annual report.
- During 2002, the Law Library Association sold equipment. The \$550 from the sale was deposited into the equipment savings account. This amount was not included on the annual report submitted to the Preble County Auditor.

Consequently, this resulted in the balances remaining to calculate the 10% to be retained and the amount to be refunded to the contributing government courts per Ohio Revised Code, Section 3375.56, were incorrect. Therefore, in 2001 and 2002, \$5,263 and \$0 respectively should have been refunded to the contributing governments with \$585 and \$0 to be retained each year respectively.

**FINDING NUMBER 2002- 002
(Continued)**

Failure to properly record all revenue and expenditures results in the possible miscalculation of the 10% to be retained at year end and the amount to be returned to the contributing governments.

FINDING NUMBER 2002- 003

Noncompliance Citation – Finding for Adjustment

Ohio Revised Code Section 3375.54 prescribes the uses of monies paid to the board of trustees of a law library association under sections 3375.50 to 3375.53 of the Revised Code. The money shall be expended in the support and operation of the law library association and in the purchase, lease, or rental of lawbooks, a computer communications console that is a means of access to a system of computerized legal research, microform 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.

Contrary to this section, the Preble County Law Library Association made four expenditures out of the primary checking account, totaling \$2,000, for scholarships which does not fall in accordance with this Code Section. A Finding for Adjustment in the amount of \$2,000 is made against the Preble County Law Library Bar Association and in favor of the Preble County Law Library Association – general fund. The Bar Association should reimburse the Law Library Association for these disbursements which were not expended in accordance with the above section of law. In the future we recommend that the Law Library Association carefully monitor expenditures to ensure they fall within the guidelines set forth in this section.

FINDING NUMBER 2002- 004

Reportable Condition

The Law Library Association maintained numerous bank accounts during the audit period. There was no cashbook for the Association that aggregated the activity in their bank accounts. The Law Library Association should account for all their financial activity in a cashbook that has a general fund and retained monies fund. 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. This cashbook should contain all their public funds.



**Auditor of State
Betty Montgomery**

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PREBLE COUNTY 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
FEBRUARY 5, 2004**