



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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

July 8, 2009

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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, 2008 and 2007. 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 the retained monies fund and do not intend to present fairly the financial position or results of operations of 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.

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, 2008 and 2007 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, 2008 and 2007, 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 Preble County Law Library Association, Preble County general fund and the retained monies fund as of December 31, 2008 and 2007, and its combined 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. As noted in Note 5, the January 1, 2007 General and Retained Fund balances were restated due to retained monies previously recorded in the General Fund.

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 8, 2009, 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

July 8, 2009

**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, 2008**

	<b>General Fund</b>	<b>Retained Monies Fund</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Fine and Forfeitures	\$120,933	\$0	\$120,933
Interest	2,895		2,895
Miscellaneous Receipts	895		895
<b>Total Cash Receipts</b>	<b>124,723</b>	<b>0</b>	<b>124,723</b>
<b>Cash Disbursements:</b>			
Books and Subscriptions	83,474		83,474
Contract Services	5,124		5,124
Insurance	2,116		2,116
Utilities	2,124		2,124
Equipment	7,722		7,722
Refunds to Relative Income Sources - See Note 2	18,066		18,066
Miscellaneous	264		264
<b>Total Cash Disbursements</b>	<b>118,890</b>	<b>0</b>	<b>118,890</b>
<b>Total Cash Receipts Over Cash Disbursements</b>	<b>5,833</b>	<b>0</b>	<b>5,833</b>
<b>Other Financing Receipts/(Disbursements):</b>			
Remittance of Interest & Miscellaneous Receipts	(3,790)	3,790	0
Remittance to Retained Funds (see Note 2)	(2,007)	2,007	0
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(5,797)</b>	<b>5,797</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements</b>	<b>36</b>	<b>5,797</b>	<b>5,833</b>
<b>Public Fund Cash Balances, January 1</b>	<b>3,423</b>	<b>110,729</b>	<b>114,152</b>
<b>Public Fund Cash Balances, December 31</b>	<b>\$3,459</b>	<b>\$116,526</b>	<b>\$119,985</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, 2007**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Fine and Forfeitures	\$129,996	\$0	\$129,996
Interest	1,957		1,957
Miscellaneous Receipts	8,390		8,390
	<hr/>		<hr/>
Total Cash Receipts	140,343	0	140,343
	<hr/>		<hr/>
<b>Cash Disbursements:</b>			
Books and Subscriptions	75,688		75,688
Contract Services	8,250		8,250
Insurance	2,060		2,060
Utilities	1,851		1,851
Equipment	8,128		8,128
Refunds to Relative Income Sources - See Note 2	27,990		27,990
Training	2,305		2,305
Miscellaneous	613		613
	<hr/>		<hr/>
Total Cash Disbursements	126,885	0	126,885
	<hr/>		<hr/>
Total Cash Receipts Over Cash Disbursements	13,458	0	13,458
	<hr/>		<hr/>
<b>Other Financing Receipts/(Disbursements):</b>			
Remittance of Interest & Miscellaneous Receipts	(10,347)	10,347	0
Remittance to Retained Funds	(3,110)	3,110	0
	<hr/>		<hr/>
Total Other Financing Receipts/(Disbursements)	(13,457)	13,457	0
	<hr/>		<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	1	13,457	13,458
	<hr/>		<hr/>
Public Fund Cash Balances, January 1 (Restated - see Note 5)	3,422	97,272	100,694
	<hr/>		<hr/>
<b>Public Fund Cash Balances, December 31</b>	<b><u>\$3,423</u></b>	<b><u>\$110,729</u></b>	<b><u>\$114,152</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, 2008 AND 2007**

**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. Members of the Preble County Bar Association annually elect the board members. The Library provides access to all county officers and the judges of the several courts within the county.

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

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

The Board of Trustees hire 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.

House Bill 66 amended Ohio Rev. Code Section 3375.48 to transfer the authority to fix the compensation of the law librarian and assistant law librarians from the judges of the common pleas court to the county law library association's board of trustees. Additionally, this bill and House Bill 363 amended Ohio Rev. Code Section 3375.49 to allocate the responsibility of paying the compensation of the law librarian and up to two assistants as well as space, utilities, and fixtures, between the law library association and the county. Beginning in calendar year 2007, the proportionate share of which the Library is responsible for increases 20% annually, and the county's share proportionately decreases, each calendar year until 2011 for compensation, and 2012 for space utilities and fixtures. At those times the law library association will be responsible for the entire amount of the librarians' compensation and space, utilities, furniture, and fixtures.

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.

**PREBLE COUNTY LAW LIBRARY ASSOCIATION  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(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. Cash and Deposits**

The Law 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:

**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 cash 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

**PREBLE COUNTY LAW LIBRARY ASSOCIATION  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(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 2008 and 2007.

Balance at December 31, 2007	
Refunded and Retained During Calendar Year 2008	
Balance at December 31, 2007	\$114,152
Refunded to Relative Sources during 2008	18,066
Retained Funds Amount during 2008	2,007

Balance at December 31, 2006	
Refunded and Retained During Calendar Year 2007	
Balance at December 31, 2006	\$100,694
Refunded to Relative Sources during 2007	27,990
Retained Funds Amount during 2007	3,110

**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 was as follows:

	2008	2007
Demand deposits	\$13,568	\$13,509
Savings accounts	48,218	44,490
Certificates of deposit	58,199	56,153
Total deposits	\$ 119,985	\$ 114,152

**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; and
- Errors and omissions.

**PREBLE COUNTY LAW LIBRARY ASSOCIATION  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. Fund Restatement**

The Law Library had accumulated \$96,721 in the General Fund as of January 1, 2007. Per Auditor of State Bulletin 2004-007 all interest earned on public funds shall be credited to the Retained Monies Fund. Non-private miscellaneous revenue shall also be credited to the Retained Monies Fund.

The Auditor of State completed their first audit of the Law Library for audit period ending December 31, 2001. From 2001 through 2006 the Law Library reported \$11,521 in interest monies and \$9,341 in miscellaneous monies. The accompanying financial statements include an audit adjustment to move \$93,299 in monies from the General Fund to the Retained Monies Fund as of January 1, 2007.

Unadjusted Balance at January 1, 2007	\$96,721
Interest Revenue from 2001 – 2006	11,521
Miscellaneous Revenue from 2001 – 2006	9,341
Additional Remaining Monies Remitted to the Retained Monies Fund	72,437
Restated Balance at January 1, 2007	\$3,422



# 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 of the Preble County Law Library Association, Preble County, Ohio (the Library), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 8, 2009, 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 and the January 1, 2007 General and Retained Fund balances were restated due to retained monies previously recorded in the General Fund. 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 finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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 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 also believe the significant deficiency described above is 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 matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2008-002.

We also noted an other matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated July 8, 2009.

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

July 8, 2009

**PREBLE COUNTY LAW LIBRARY ASSOCIATION  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Library lacks management oversight in the posting of financial activity. The Law Library had accumulated \$96,721 in the General Fund as of January 1, 2007. Per Auditor of State Bulletin 2004-007 all interest earned on public funds shall be credited to the Retained Monies Fund. Non-private miscellaneous revenue shall also be credited to the Retained Monies Fund.

The Auditor of State completed their first audit of the Law Library for audit period ending December 31, 2001. From 2001 through 2006 the Law Library reported \$11,521 in interest monies and \$9,341 in miscellaneous monies. The accompanying financial statements include an audit adjustment to move \$93,299 in monies from the General Fund to the Retained Monies Fund as of January 1, 2007.

Unadjusted Balance at January 1, 2007	\$96,721
Interest Revenue from 2001 – 2006	11,521
Miscellaneous Revenue from 2001 – 2006	9,341
Additional Remaining Monies Remitted to the Retained Monies Fund	72,437
Restated Balance at January 1, 2007	\$3,422

This adjustment has also been posted to the Library's accounting records.

The Library also posted adjustments for 2007 and 2008 to properly account for interest earned on public funds and non-private miscellaneous revenue in accordance with Auditor of State Bulletin 2004-007 [\$10,347 for 2007; \$3,790 for 2008].

Failure to properly report financial activity can result in inaccurate records and cause the Library to misappropriate funds. To improve accountability and record keeping, we recommend that the Library research the source of the monies transferred to the Retained Monies Fund [\$72,437] and then pass a one-time resolution identifying the nature of the fund balance for audit purposes as either public, private, or retained. This one-time resolution will then allow Auditor of State to test this designation for accuracy during the next audit. Thereafter, however, for future auditing purposes, segregation or documented identification of monies must be completed. We also recommend that the Library follow the guidance provided in Auditor of State Bulletin 2004-007.

**Officials' Response:**

Officials did not provide a response to this finding.

**FINDING NUMBER 2008-002**

**Finding for Recovery**

**Ohio Rev. Code, Section 3375.49**, provides that the Board of Trustees of a law library association is responsible for paying twenty percent of the compensation of a librarian and up to two assistant librarians for calendar year 2007 and forty percent of the compensation of a librarian and up to two assistant librarians, and twenty percent of the cost of space, utilities, and fixtures for calendar year 2008.

The Library did not pay the required percentages for compensation, space, utilities, and fixtures for calendar year 2007 and 2008 from law library funds. Instead the required amounts were paid 100% from the Preble County General Fund.

The tables below detail compensation paid during calendar years 2007 and 2008 and the amounts the Library should have paid.

<b>2007</b>		
Title	Compensation paid by Preble County	20% payable by Law Library
Law Librarian	\$5,055.56	\$1,011.11
Assistant Librarian	913.87	182.77
Total	\$5,969.43	\$1,193.88

<b>2008</b>		
Title	Compensation paid by Preble County	40% payable by Law Library
Law Librarian	\$5,191.08	\$2,076.43
Assistant Librarian	473.00	189.20
Total	\$5,664.08	\$2,265.63

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money that is due but not collected is hereby issued against the Preble County Law Library Association General Fund, in the amount of \$3,459.51 [\$1,193.88 from 2007 and \$2,265.63 from 2008] and in favor of the Preble County General Fund.

**Officials' Response:**

Officials did not provide a response to this finding.

PREBLE COUNTY LAW LIBRARY ASSOCIATION  
PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007

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>
2006-001	Failure to maintain a cashbook of all activity.	Yes	





**Mary Taylor, CPA**  
Auditor of State

**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  
AUGUST 11, 2009**