



**Auditor of State
Betty Montgomery**

**EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY**

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**Auditor of State
Betty Montgomery**

East Palestine Memorial Public Library
Columbiana County
309 North Market Street
East Palestine, Ohio 44413

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 "Betty Montgomery".

Betty Montgomery
Auditor of State

October 31, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

East Palestine Memorial Public Library
Columbiana County
309 North Market Street
East Palestine, Ohio 44413

To the Board of Trustees:

We have audited the accompanying financial statements of East Palestine Memorial Public Library, Columbiana County, (the Library) as of and for the years ended December 31, 2004 and 2003. 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.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. 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 year ended December 31, 2004 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, 2004, or its changes in financial position for the year 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 East Palestine Memorial Public Library, Columbiana County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 October 31, 2005, 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 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.



Betty Montgomery
Auditor of State

October 31, 2005

**EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Other Government Grants-In-Aid	\$409,633		\$409,633
Patron Fines and Fees	7,193		7,193
Earnings on Investments	4,704	\$3,252	7,956
Contributions, Gifts and Donations	2,691		2,691
Miscellaneous Receipts	6,954		6,954
Total Cash Receipts	<u>431,175</u>	<u>3,252</u>	<u>434,427</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	281,379		281,379
Purchased and Contracted Services	29,626		29,626
Other Objects	107,758		107,758
Capital Outlay	9,326	3,667	12,993
Total Cash Disbursements	<u>428,089</u>	<u>3,667</u>	<u>431,756</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>3,086</u>	<u>(415)</u>	<u>2,671</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	414		414
Total Other Financing Receipts/(Disbursements)	<u>414</u>		<u>414</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,500	(415)	3,085
Fund Cash Balances, January 1	440,003	178,482	618,485
Fund Cash Balances, December 31	<u>\$443,503</u>	<u>\$178,067</u>	<u>\$621,570</u>
Reserves for Encumbrances, December 31	<u>\$5,384</u>		<u>\$5,384</u>

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

**EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Fiduciary Fund Type
	Nonexpendable Trust
Operating Cash Disbursements:	
Current:	
Other Objects	2,283
Total Operating Cash Disbursements	2,283
Operating Income/(Loss)	(2,283)
Non-Operating Cash Receipts:	
Earnings on Investments	17
Other Non-Operating Receipts	124
Total Non-Operating Cash Receipts	141
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(2,142)
Transfers-Out	(414)
Net Receipts Over/(Under) Disbursements	(2,556)
Fund Cash Balances, January 1	12,711
Fund Cash Balances, December 31	\$10,155

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

**EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Other Government Grants-In-Aid	\$405,783		\$405,783
Patron Fines and Fees	4,962		4,962
Earnings on Investments	4,564	\$3,038	7,602
Contributions, Gifts and Donations	2,985		2,985
Miscellaneous Receipts	9,145		9,145
	<u>427,439</u>	<u>3,038</u>	<u>430,477</u>
Total Cash Receipts			
	<u>427,439</u>	<u>3,038</u>	<u>430,477</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	250,863		250,863
Purchased and Contracted Services	31,193		31,193
Other Objects	113,979		113,979
Capital Outlay	3,610		3,610
	<u>399,645</u>		<u>399,645</u>
Total Cash Disbursements			
	<u>399,645</u>		<u>399,645</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>27,794</u>	<u>3,038</u>	<u>30,832</u>
Other Financing Receipts/(Disbursements):			
Other Sources		24,711	24,711
		<u>24,711</u>	<u>24,711</u>
Total Other Financing Receipts/(Disbursements)			
		<u>24,711</u>	<u>24,711</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>27,794</u>	<u>27,749</u>	<u>55,543</u>
Fund Cash Balances, January 1	<u>412,209</u>	<u>150,733</u>	<u>562,942</u>
Fund Cash Balances, December 31	<u>\$440,003</u>	<u>\$178,482</u>	<u>\$618,485</u>
Reserves for Encumbrances, December 31	<u>\$14,589</u>		<u>\$14,589</u>

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

**EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Fiduciary Fund Type
	Nonexpendable Trust
Non-Operating Cash Receipts:	
Earnings on Investments	75
Total Non-Operating Cash Receipts	75
Net Receipts Over/(Under) Disbursements	75
Fund Cash Balances, January 1	12,636
Fund Cash Balances, December 31	\$12,711

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

**EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 East Palestine Memorial Public Library, Columbiana County, (the Library) as a body corporate and politic. The Library is directed by a six-member Board of Trustees appointed by the Mayor of East Palestine. 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.

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.

Certificates of deposit, U.S. Treasury Notes and common stock are valued at cost or fair value when donated. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds as 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 Projects Funds

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

**EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

2. Capital Projects Funds

Building and Repair Fund – this fund receives interest income for constructing, maintaining and repairing the Library building.

3. Fiduciary Funds (Trust Fund)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the Library classifies the activity as a nonexpendable trust fund. The Library classifies other trust funds as expendable. The Library had the following significant fiduciary fund:

Non-Expendable Trust Fund (Neely Fund) – This fund receives interest income to be used to purchase materials for elderly patrons of the Library.

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 function level of control.

A summary of 2004 and 2003 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.

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:

**EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2004	2003
Demand deposits	\$69,378	\$57,542
Certificates of deposit		68,741
Total deposits	69,378	126,283
U.S. Treasury Notes	10,155	12,717
STAR Ohio	474,740	416,843
Common stock (at cost, fair value was \$77,455 and \$71,377 at December 31, 2004 and 2003, respectively.)	77,302	75,203
Total investments	562,197	504,763
Total deposits and investments	\$631,575	\$631,046

Cash on Hand: At year end, the Library had \$150 in undeposited cash on hand.

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

Investments: The Federal Reserve holds the Library's U.S. Treasury Notes in book-entry form in the name of the Library's financial institution. The financial institution maintains records identifying the Library as owner of these securities. Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

A broker holds the Library's equity securities in book entry form in the Library's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$438,000	\$433,473	\$4,527
Capital Projects	60,000	3,667	56,333
Fiduciary	3,300	2,697	603
	\$501,300	\$439,837	\$61,463

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$520,000	\$414,234	\$105,766
Capital Projects	60,000	0	60,000
Fiduciary	1,000	0	1,000
	\$581,000	\$414,234	\$166,766

**EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

Commercial Insurance

The East Palestine Memorial Public Library has obtained commercial insurance for the following risks:

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



Auditor of State Betty Montgomery

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

East Palestine Memorial Public Library
Columbiana County
309 North Market Street
East Palestine, Ohio 44413

To the Board of Trustees:

We have audited the financial statements of the East Palestine Memorial Public Library, Columbiana County, (the Library) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 31, 2005, wherein we noted the Library followed the accounting practices the Auditor of State prescribes 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated October 31, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 and contracts, 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*. In a separate letter to the Library's management dated October 31, 2005, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for 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

October 31, 2005

EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2004 AND 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-01215-001	Interest and Dividends not Recorded	No.	A management letter recommendation was issued regarding this matter.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

EAST PALESTINE MEMORIAL PUBLIC LIBRARY

COLUMBIANA 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
DECEMBER 8, 2005**