



Mary Taylor, CPA
Auditor of State

**EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY**

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Mary Taylor, CPA

Auditor of State

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 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.

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Mary Taylor, CPA
Auditor of State

September 29, 2008

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Mary Taylor, CPA

Auditor of State

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, 2006 and 2005, and have issued our report thereon dated September 29, 2008 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. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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*.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the East Palestine Memorial Public Library, Columbiana County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008, 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 29, 2008

**EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY**

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

	All Fund Types			Totals (Memorandum Only)
	General	Capital Projects	Permanent	
Cash Receipts:				
Library and Local Government Support	\$439,120			\$439,120
Patron Fines and Fees	15,413			15,413
Contributions, Gifts and Donations	2,288			2,288
Earnings on Investments	20,817	15,073		35,890
Miscellaneous	1,059			1,059
Total Cash Receipts	478,697	15,073		493,770
Cash Disbursements:				
Current:				
Salaries	236,170			236,170
Employee Fringe Benefits	73,535			73,535
Purchased and Contractual Services	38,887			38,887
Library Materials and Information	83,419			83,419
Supplies	19,155			19,155
Other	425			425
Capital Outlay	9,359			9,359
Total Cash Disbursements	460,950			460,950
Total Receipts Over/(Under) Disbursements	17,747	15,073		32,820
Other Financing Receipts / (Disbursements):				
Transfers-In		15,447		15,447
Transfers-Out	(15,447)			(15,447)
Other Financing Sources	4,148			4,148
Total Other Financing Receipts / (Disbursements)	(11,299)	15,447		4,148
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	6,448	30,520		36,968
Fund Cash Balances, January 1	416,751	224,960	10,076	651,787
Fund Cash Balances, December 31	\$423,199	\$255,480	\$10,076	\$688,755

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	All Fund Types			Totals (Memorandum Only)
	General	Capital Projects	Permanent	
Cash Receipts:				
Library and Local Government Support	\$429,465			\$429,465
Patron Fines and Fees	6,808			6,808
Contributions, Gifts and Donations	2,830			2,830
Earnings on Investments	11,941	6,893	310	19,144
Miscellaneous	9,683			9,683
Total Cash Receipts	460,727	6,893	310	467,930
Cash Disbursements:				
Current:				
Salaries	235,029			235,029
Employee Fringe Benefits	63,902			63,902
Purchased and Contractual Services	33,773			33,773
Library Materials and Information	88,556			88,556
Supplies	15,694			15,694
Other	6,855			6,855
Capital Outlay	3,670			3,670
Total Cash Disbursements	447,479			447,479
Total Receipts Over/(Under) Disbursements	13,248	6,893	310	20,451
Other Financing Receipts / (Disbursements):				
Transfers-In		40,000		40,000
Transfers-Out	(40,000)			(40,000)
Other Financing Uses			(389)	(389)
Total Other Financing Receipts / (Disbursements)	(40,000)	40,000	(389)	(389)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(26,752)	46,893	(79)	20,062
Fund Cash Balances, January 1	443,503	178,067	10,155	631,725
Fund Cash Balances, December 31	\$416,751	\$224,960	\$10,076	\$651,787
Reserve for Encumbrances, December 31	\$8,996			\$8,996

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, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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. 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 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 disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values certificates of deposit, U.S. Treasury Notes and common stock at cost or fair value when donated. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

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

2. Capital 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, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

3. Permanent Fund

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

Roy D. 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 object level of control.

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

F. Property, Plant, and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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 was as follows:

	2006	2005
Demand deposits	\$72,091	\$62,311
Certificates of deposit	210,451	200,000
Total deposits	282,542	262,311
STAR Ohio	319,828	309,616
Common stock (at cost, fair value was \$88,474 and \$81,431 at December 31, 2006 and 2005, respectively.)	86,385	79,860
Total investments	406,213	389,476
Total deposits and investments	\$688,755	\$651,787

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

**EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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. RETIREMENT SYSTEM

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>PERS – Local</i>	<i>2005</i>	<i>8.5%</i>	<i>13.55%</i>
<i>PERS – Local</i>	<i>2006</i>	<i>9%</i>	<i>13.7%</i>

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Library contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2006.

4. 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.

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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*

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, 2006 and 2005, and have issued our report thereon dated September 29, 2008 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 also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2006-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Library's management in a separate letter dated September 29, 2008.

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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated September 29, 2008.

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

September 29, 2008

**EAST PALESTINE MEMORIAL PUBLIC LIBRARY
COLUMBIANA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance – Material Weakness

Ohio Revised Code Section 5705.131 states that a taxing authority of a subdivision may establish a nonexpendable trust fund for the purpose of receiving donations or contributions that the donor or contributor requires to be maintained intact. The principal of such fund may be invested, and the investment earnings on the principal shall be credited to the fund. The principal of the fund, and any additions to principal arising from sources other than the reinvestment of investment earnings arising from the fund, shall not be considered part of the unencumbered balance or revenue of the subdivision under division (A) of section 5705.35 or division (A)(1) of section 5705.36 of the Revised Code. Only investment earnings arising from investment of the principal or investment of such additions to principal may be considered an unencumbered balance or revenue of the subdivision under that division.

The Library created a nonexpendable trust fund for the receipt of moneys from the Roy D. Neely Memorial Fund. On December 2, 2005, the Library's Board of Trustees approved the redemption of the principal and interest accumulated in such fund. The cash balance accumulated in this fund, which amounted to \$10,076.65, was subsequently transferred to the General Fund and spent. As stated above, available revenue in such fund is required to be limited to the amount of interest earned on the investment of the principal of the fund.

We recommend that the Library's Board of Trustees re-establish the Roy D. Neely Memorial Fund to comply with the requirements of Ohio Revised Code Section 5705.131. In addition, we recommend the Library adopt procedures for the financial reporting process to ensure the activity is reported within the guidelines set by such trust agreements.

On November 30, 2007 the Library's Board of Trustees re-established the Roy D. Neely Memorial Fund. This adjustment has been posted to the Library's records and this fund is reflected in the financial statements.

Officials Response

A US Treasury Note was purchased on December 11, 2007, and is invested with Butler Wick in the face amount of \$10,000. This account is titled "East Palestine Memorial Public Library Roy D. Neely Memorial Fund".



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 6, 2008**