



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HARBOR-TOPKY PUBLIC LIBRARY
ASHTABULA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Harbor-Topky Public Library
Ashtabula County
1633 Walnut Blvd.
Ashtabula, Ohio 44004

To the Board of Trustees:

We have audited the accompanying financial statements of Harbor-Topky Public Library, Ashtabula County, Ohio, (the Library) as of and for the years ended December 31, 2001 and 2000. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Library, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2002 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 management, the Board of Trustees, and other officials authorized to receive this report under Section 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 6, 2002

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**HARBOR-TOPKY PUBLIC LIBRARY
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property and Other Local Taxes	\$115,383					\$115,383
Other Government Grants-In-Aid	446,150	18,358				464,508
Patron Fines and Fees	16,239					16,239
Earnings on Investments	4,474	847	1,419	6,800	2,115	15,655
Services Provided to Other Entities	7,500					7,500
Contributions, Gifts and Donations					3,702	3,702
Miscellaneous Receipts	513			45		558
Total Cash Receipts	590,259	19,205	1,419	6,845	5,817	623,545
Cash Disbursements:						
Current:						
Salaries and Benefits	247,821	17,381				265,202
Purchased and Contracted Services	74,618			6,520		81,138
Other Objects	104,229				2,393	106,622
Debt Service:						
Redemption of Principal			36,658			36,658
Interest Payments			75,902			75,902
Capital Outlay				354,158	609	354,767
Total Cash Disbursements	426,668	17,381	112,560	360,678	3,002	920,289
Total Cash Receipts Over/(Under) Cash Disbursements	163,591	1,824	(111,141)	(353,833)	2,815	(296,744)
Other Financing Receipts/(Disbursements):						
Transfers-In			112,560	12,421		124,981
Transfers-Out	(112,560)			(12,421)		(124,981)
Total Other Financing Receipts/(Disbursements)	(112,560)		112,560			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	51,031	1,824	1,419	(353,833)	2,815	(296,744)
Fund Cash Balances, January 1	47,850	15,000	21,288	429,743	51,960	565,841
Fund Cash Balances, December 31	\$98,881	\$16,824	\$22,707	\$75,910	\$54,775	\$269,097
Reserves for Encumbrances, December 31	\$2,156			\$4,500	\$422	

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

**HARBOR-TOPKY PUBLIC LIBRARY
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property and Other Local Taxes	\$111,497					\$111,497
Other Government Grants-In-Aid	436,497					436,497
Patron Fines and Fees	12,372					12,372
Earnings on Investments	7,111		1,904	92,914	4,278	106,207
Contributions, Gifts and Donations				600	903	1,503
Miscellaneous Receipts	73			3,092		3,165
Total Cash Receipts	567,550		1,904	96,606	5,181	671,241
Cash Disbursements:						
Current:						
Salaries and Benefits	237,349					237,349
Purchased and Contracted Services	91,539			125,818		217,357
Other Objects	78,409				634	79,043
Debt Service:						
Redemption of Principal			34,261			34,261
Interest Payments			78,279			78,279
Capital Outlay	1,648			1,064,386	6,040	1,072,074
Total Cash Disbursements	408,945		112,540	1,190,204	6,674	1,718,363
Total Cash Receipts Over/(Under) Cash Disbursements	158,605		(110,636)	(1,093,598)	(1,493)	(1,047,122)
Other Financing Receipts/(Disbursements):						
Transfers-In		15,000	112,560	70,000		197,560
Transfers-Out	(197,560)					(197,560)
Total Other Financing Receipts/(Disbursements)	(197,560)	15,000	112,560	70,000		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(38,955)	15,000	1,924	(1,023,598)	\$ (1,493)	(1,047,122)
Fund Cash Balances, January 1	86,805		19,364	1,453,343	53,453	1,612,965
Fund Cash Balances, December 31	\$47,850	\$15,000	\$21,288	\$429,745	\$51,960	\$565,843
Reserves for Encumbrances, December 31	\$3,484			\$334,103		337,587

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

**HARBOR-TOPKY PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Harbor-Topky Public Library, Ashtabula County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by a seven-member Board of Trustees appointed by each other. 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 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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 not recorded as receipts or disbursements, respectively.

Certificates of deposit and U.S. Treasury Notes are valued at cost. The Investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 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. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Library had the following significant Special Revenue Fund:

Technology Grant Fund- For upgrading of computer technology at the Library.

**HARBOR-TOPKY PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

The Debt Service fund is used to accumulate the resources for the payment of bonds and note indebtedness. The Library issued notes in the amount of \$1,275,000 for the purpose of renovating the Library.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Projects funds:

The Building & Repair Fund: to finance renovations to the Library.

Construction Fund: to account for the construction on the additions to the Library.

5. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Library had the following significant Expendable Trust Fund:

Topky Trust Fund: to be used as needed for materials, supplies, books, etc., at the Library.

B. Budgetary Process

The Ohio Administrative Code requires that each fund be budgeted annually.

1. Appropriations

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Library did not encumber all commitments required by Ohio law.

Effective January 1, 2001, the Ohio Administrative Code amended Library budgetary requirements. Libraries are not required to estimate resources or encumber appropriations.

**HARBOR-TOPKY PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Library.

2. 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:

	<u>2001</u>	<u>2000</u>
Demand deposits	\$ 98,881	\$ 373,597
Certificates of Deposit	2,393	2,255
Total Deposits	101,274	375,852
Investments:		
Sweep Repurchase Agreements	167,824	153,044
Star Ohio		36,947
Total Investments	167,824	189,991
Total Deposits and Investments	\$ 269,098	\$ 565,843

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical book-entry form. The Library's financial institution transfers securities to the Library's agent to collateralize repurchase agreements. The securities are not in the Library's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 587,140	\$ 541,384	\$ 45,756
Special Revenue	10,000	17,381	(7,381)
Debt Service	112,560	112,560	0
Capital Projects	433,241	377,599	55,642
Fiduciary	6,800	3,424	3,376
Totals	\$ 1,149,741	\$ 1,052,348	\$ 97,393

**HARBOR-TOPKY PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 540,697	\$ 567,550	\$ 26,853
Special Revenue	0	15,000	15,000
Debt Service	112,560	114,464	1,904
Capital Projects	159,884	166,606	6,722
Fiduciary	3,300	5,181	1,881
Total	\$ 816,441	\$ 868,801	\$ 52,460

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 544,489	\$ 607,989	\$ (63,500)
Special Revenue	0	0	0
Debt Service	112,560	112,540	20
Capital Projects	1,562,635	1,524,307	38,328
Fiduciary	6,300	6,674	(374)
Total	\$ 2,225,984	\$ 2,253,509	\$ (27,525)

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated 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.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Library.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**HARBOR-TOPKY PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$ 1,187,942	6%

Notes were issued from Andover Bank for the purpose of renovating and enlarging the library building. The loan is a special obligation of the Library and will be paid through the receipts of the Library and Local Government Fund.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	General Obligation Notes
2002	\$ 56,309
2003	56,309
2004	56,309
2005	56,309
2006	56,309
Subsequent	1,801,321
Total	\$ 2,082,866

6. RETIREMENT SYSTEMS

The Library's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. It is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for the period under audit, except for the time frame between July 2000 and December 2000, where the rate was 8.13% based on PER'S Temporary Employer Contribution Rate Rollback. The Library has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Library also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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

Harbor-Topky Public Library
Ashtabula County
1633 Walnut Blvd.
Ashtabula, Ohio 44004

To the Board of Trustees:

We have audited the accompanying financial statements of Harbor-Topky Public Library, Ashtabula County, Ohio (the Library), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 6, 2002. 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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted one immaterial instance of noncompliance that we have reported to management of the Library in a separate letter dated June 6, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated June 6, 2002.

This report is intended for the information and use of the management, 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, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

Jim Petro
Auditor of State

June 6, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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HARBOR TOPKY PUBLIC LIBRARY

ASHTABULA 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
JULY 2, 2002**