



**Auditor of State
Betty Montgomery**

HARBOR – TOPKY MEMORIAL LIBRARY
ASHTABULA COUNTY

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**Auditor of State
Betty Montgomery**

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

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 Library 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.

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Betty Montgomery
Auditor of State

October 18, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Harbor -Topky Memorial Library, Ashtabula County, (the Library) as of and for the years ended December 31, 2005 and December 31, 2004. 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. 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 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 years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 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.

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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, 2005 and 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, 2005 and December 31, 2004, 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 Harbor - Topky Memorial Library, Ashtabula County, as of December 31, 2005 and December 31, 2004, 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 years ended December 31, 2005 and 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 18, 2006, 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.



Betty Montgomery
Auditor of State

October 18, 2006

**HARBOR - TOPKY MEMORIAL LIRARY
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, 2005**

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Cash Receipts:						
Property and Other Local Taxes	\$102,946					\$102,946
Library and Local Government Support	412,144					412,144
Other Government Grants-In-Aid	15,626					15,626
Patron Fines and Fees	22,243					22,243
Earnings on Investments	1,437	\$820	\$602	\$1,203	\$1,586	5,648
Services Provided to Other Entities	850					850
Contributions, Gifts and Donations					1,666	1,666
Miscellaneous Receipts	2,705					2,705
Total Cash Receipts	557,951	820	602	1,203	3,252	563,828
Cash Disbursements:						
Current:						
Salaries and Benefits	284,011					284,011
Purchased and Contracted Services	96,711					96,711
Library Materials and Information	73,272				1,170	74,442
Supplies	13,048				3,350	16,398
Other	3,018				300	3,318
Debt Service:						
Redemption of Principal			60,723			60,723
Interest Payments and Other Financing Fees and Costs			61,837			61,837
Capital Outlay	2,288	17,500		3,180	719	23,687
Total Cash Disbursements	472,348	17,500	122,560	3,180	5,539	621,127
Total Cash Receipts Over/(Under) Cash Disbursements	85,603	(16,680)	(121,958)	(1,977)	(2,287)	(57,299)
Other Financing Receipts/(Disbursements):						
Transfers-In		7,500	122,560			130,060
Transfers-Out	(130,060)					(130,060)
Total Other Financing Receipts/(Disbursements)	(130,060)	7,500	122,560	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(44,457)	(9,180)	602	(1,977)	(2,287)	(57,299)
Fund Cash Balances, January 1, 2005	87,350	20,207	26,992	40,951	54,205	229,705
Fund Cash Balances, December 31, 2005	\$42,893	\$11,027	\$27,594	\$38,974	\$51,918	\$172,406
Reserves for Encumbrances, December 31, 2005	\$2,330					\$2,330

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

HARBOR - TOPKY MEMORIAL LIRARY
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, 2004**

	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	\$99,853					\$99,853
Library and Local Government Support	409,684					409,684
Other Government Grants-In-Aid	15,639					15,639
Patron Fines and Fees	23,190					23,190
Earnings on Investments	1,166	\$119	\$356	\$257	\$386	2,284
Contributions, Gifts and Donations					995	995
Miscellaneous Receipts	1,993					1,993
Total Cash Receipts	551,525	119	356	257	1,381	553,638
Cash Disbursements:						
Current:						
Salaries and Benefits	263,007					263,007
Purchased and Contracted Services	87,391					87,391
Library Materials and Information	82,427				1,456	83,883
Supplies	19,684				2,578	22,262
Other	2,965				300	3,265
Debt Service:						
Redemption of Principal			50,723			50,723
Interest Payments and Other Financing Fees and Costs			61,837			61,837
Capital Outlay		1,969		1,024		2,993
Total Cash Disbursements	455,474	1,969	112,560	1,024	4,334	575,361
Total Cash Receipts Over/(Under) Cash Disbursements	96,051	(1,850)	(112,204)	(767)	(2,953)	(21,723)
Other Financing Receipts/(Disbursements):						
Transfers-In			112,560			112,560
Transfers-Out	(112,560)					(112,560)
Total Other Financing Receipts/(Disbursements)	(112,560)	0	112,560	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,509)	(1,850)	356	(767)	(2,953)	(21,723)
Fund Cash Balances, January 1, 2004	103,859	22,057	26,636	41,718	57,158	251,428
Fund Cash Balances, December 31, 2004	\$87,350	\$20,207	\$26,992	\$40,951	\$54,205	\$229,705
Reserves for Encumbrances, December 31, 2004	\$4,994				\$1,055	\$6,049

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

**HARBOR – TOPKEY MEMORIAL LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

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 Harbor – Topky Memorial Library, Ashtabula County, (the Library) as a body corporate and politic. The Ashtabula Area City School Board appoints a seven-member Board of Trustees to govern the Library. 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. 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 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.

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

2. Special Revenue Funds

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

Technology Grant Fund – used to upgrade the computer technology used at the Library.

**HARBOR – TOPKEY MEMORIAL LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Debt Service Funds

The debt service fund accounts for resources the Library accumulates to pay bond and note indebtedness: The Library issued notes for the purpose of renovating the Library in 1998. These notes were refinanced in 2002 at a lower interest rate. For additional information see note 5.

Debt Service Fund – Receives LLGSF money to retire the building renovation note.

4. Capital Project 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:

Building & Repair Fund – To finance renovations to the Library.

5. Fiduciary Funds (Trust Funds)

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 classifies funds for which it acts in an agency capacity as agency funds. The Library had the following significant fiduciary funds:

Topky Expendable Trust Fund – To be used as needed for materials, supplies, books, etc. at the Library.

Memorial Expendable Trust Fund – To be used as needed for materials, supplies, books, etc. at 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 fund level of control.

A summary of 2005 and 2004 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.

**HARBOR – TOPKEY MEMORIAL LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

	2004	2005
Demand deposits	\$179,585	\$130,734
Certificates of deposit	50,000	41,672
Total deposits	\$229,585	\$172,406

The Library maintained a petty cash account of \$120 in 2004, which is included on the financial statements.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and December 31, 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$562,032	\$557,951	(\$4,081)
Special Revenue	17,030	8,320	(8,710)
Debt Service	112,800	123,162	10,362
Capital Projects	600	1,203	603
Fiduciary	1,525	3,252	1,727
Total	\$693,987	\$693,888	(\$99)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$654,466	\$604,738	\$49,728
Special Revenue	17,500	17,500	0
Debt Service	122,560	122,560	0
Capital Projects	40,000	3,180	36,820
Fiduciary	9,800	5,539	4,261
Total	\$844,326	\$753,517	\$90,809

**HARBOR – TOPKEY MEMORIAL LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
(Continued)**

3. BUDGETARY ACTIVITY –(Continued)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$543,759	\$551,525	\$7,766
Special Revenue	150	119	(31)
Debt Service	112,860	112,916	56
Capital Projects	600	257	(343)
Fiduciary	1,525	1,381	(144)
Total	<u>\$658,894</u>	<u>\$666,198</u>	<u>\$7,304</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$636,627	\$573,028	\$63,599
Special Revenue	10,000	1,969	8,031
Debt Service	112,560	112,560	0
Capital Projects	40,000	1,024	38,976
Fiduciary	8,249	5,389	2,860
Total	<u>\$807,436</u>	<u>\$693,970</u>	<u>\$113,466</u>

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 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 of any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible 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 – TOPKEY MEMORIAL LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
(Continued)**

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$972,281	5.75%

Notes were issued from Andover Bank for the purpose of renovating and enlarging the library building in 1998 with an interest rate of 6.25%. In 2002, the Library refinanced the notes (Series 2002) for \$1,139,487.94 at an interest rate of 5.75%. Semi-annual payments were schedule through May 2024. The payoff of the old note and the proceeds of the new note are not reflected on the accompanying financial statements. The Note is collateralized by revenue received from the Library and Local Government Support funds provide by the State of Ohio and the Library's taxing authority.

During the 2004 and 2005 the Library has retired additional principal amounts of \$19,936 and \$29,936 respectively. This has reduced the life of the loan by 2 years, as of December 31, 2005.

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

Year ending December 31:	General Obligation Note
2006	\$ 92,624
2007	92,624
2008	92,624
2009	92,624
2010	92,624
2011 – 2015	463,117
2016 – 2020	463,117
2021 -- 2022	122,984
Total	\$1,512,337

6. 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 9.0 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, 2005.

**HARBOR – TOPKEY MEMORIAL LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
(Continued)**

7. RISK MANAGEMENT

The Library has obtained commercial insurance from Sky Insurance for the following risks:

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

The Library also contributes to employee health insurance and dental and vision coverage for full-time employees through the Nola Regional Library System.



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*

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

To the Board of Trustees:

We have audited the financial statements of Harbor -Topky Memorial Library (the Library) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 18, 2006 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*.

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 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.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, 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 18, 2006



**Auditor of State
Betty Montgomery**

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HARBOR-TOPKY MEMORIAL 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
DECEMBER 21, 2006**