

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY, OHIO**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

Board of Trustees
Wayne County Public Library
304 N. Market Street
P.O. Box 1349
Wooster, Ohio 44691

We have reviewed the *Independent Auditor's Report* of the Wayne County Public Library, Wayne County, prepared by Kennedy, Cottrell & Associates, LLC, for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wayne County Public Library is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 8, 2006

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**Wayne County Public Library
Wayne County Ohio**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wayne County Public Library
304 North Market Street
Wooster, Ohio 44691

To the Trustees of Wayne County Public Library:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County Public Library, Wayne County, Ohio (the Library), as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County Public Library, Wayne County, Ohio, as of December 31, 2005, and the respective changes in modified cash basis financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 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 grants. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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 assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

This report is intended solely for the information and use of the Finance/Audit Committee, management, 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 those specified parties.

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates
July 28, 2006

**Wayne County Public Library
Wayne County Ohio**

Management's Discussion & Analysis

*For the Year Ended December 31, 2005
(Unaudited)*

As the management of the Wayne County Public Library, we offer readers of the Library's financial statements this narrative overview and analysis of the Library's financial activities for the fiscal year ended December 31, 2005.

FINANCIAL HIGHLIGHTS

- The Library's total net assets increased \$217,514, or 3.6%
- As of the close of the most recent fiscal year, the fund balance in the Library's general fund was 1.8 million, an increase of \$425,294, or 29.8%, from the previous year.
- The Wayne County Public Library Board of Trustees set a financial goal in 2002 to maintain a minimum general fund balance of 75 to 90 days available fund balance to meet commitments. At December 31, 2005 the available fund balance was equal to 122 days, up from 90 days as of the close of the previous fiscal year.
- The Library was able set aside \$625,000 for technology, construction, and vehicle replacement. This amount was transferred to the appropriate funds during fiscal year 2006.
- The Library is currently in the design process to construct a new Wooster main library building. The contracts are to bid in April of 2006 and we plan to award the contracts in June of 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Library's assets, within the limitations of modified cash basis accounting. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year, within the limitations of modified cash basis accounting.

The government-wide financial statements can be found on pages 9-10 of this report.

**Wayne County Public Library
Wayne County Ohio**

Management's Discussion & Analysis

*For the Year Ended December 31, 2005
(Unaudited)*

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Library maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Building and Repair Fund, Liberty Street Library Fund, and the Doylestown Branch Fund. These four funds are the Library's only major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation.

The Library adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 14 of this report.

THE LIBRARY AS A WHOLE

Table 1 provides a summary of the Library's net assets for 2005 compared to 2004 on a modified cash basis:

TABLE 1

Net Assets

	<u>2005</u>	<u>2004</u>
Assets		
Current Assets	<u>\$ 6,219,170</u>	<u>\$ 6,001,656</u>
Total Assets	<u>6,219,170</u>	<u>6,001,656</u>
Net Assets		
Restricted	130,724	127,527
Unrestricted	<u>6,088,446</u>	<u>5,874,129</u>
Total Net Assets	<u>\$ 6,219,170</u>	<u>6,001,656</u>

**Wayne County Public Library
Wayne County Ohio**

Management's Discussion & Analysis

*For the Year Ended December 31, 2005
(Unaudited)*

THE LIBRARY AS A WHOLE (continued)

Table 2 shows the changes in net assets for the fiscal year ended December 31, 2005.

TABLE 2

Changes in Net Assets

	<u>2005</u>	<u>2004</u>
Revenues:		
Program Revenues		
Charges for Services	\$ 174,669	\$ 166,903
Capital Grants	83,984	8
Operating Grants	4,806	6,353
Total Program Revenues	263,459	173,264
General Revenues		
Taxes	1,428,016	1,412,964
Grants and Entitlements	3,712,874	3,675,246
Other Revenue	178,577	158,207
Total General Revenue	5,319,467	5,246,417
Total Revenues	5,582,926	5,419,681
Expenses:		
Program Expenses		
Public Service and Programs	2,345,793	2,356,633
Collection Development and Processing	1,224,074	977,905
Facilities Operation and Maintenance	852,839	411,927
Information Services	232,944	312,082
Business Administration	512,095	480,461
Capital Outlay	197,667	362,036
Total Expenses	5,365,412	4,901,044
Changes in Net Assets	\$ 217,514	\$ 518,637

General revenues comprise 95% of the Library's revenues with property taxes and unrestricted state entitlements being the primary contributors. Public service and programs and collection development and processing are the major activities of the Library, accounting for 44% and 23% of total expenses, respectively.

The increase in the Library's net assets during the fiscal year is attributed to the Library's conscious efforts to minimize spending in light of foreseen reductions in future local government funding.

**Wayne County Public Library
Wayne County Ohio**

Management's Discussion & Analysis

*For the Year Ended December 31, 2005
(Unaudited)*

THE LIBRARY AS A WHOLE (continued)

Total versus Net Cost of Services

The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 reflects the cost of program services and the net cost of those services after taking into account the program revenues. The net cost of program services must be supported by general revenues including tax revenue, investment earnings and unrestricted state entitlements.

TABLE 3

	<u>2005</u>		<u>2004</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Library Services:				
Public Service and Programs	\$ 2,345,793	\$ 2,169,124	\$ 2,356,633	\$ 2,186,722
Collection Development and Processing	1,224,074	1,221,268	977,905	974,552
Support Services				
Facilities and Operation Maintenance	852,839	768,855	411,927	411,927
Information Services	232,944	232,944	312,082	312,082
Business Administration	512,095	512,095	480,461	480,461
Capital Outlay	197,667	197,667	362,036	362,036
Total Expense	\$ 5,365,412	\$ 5,101,953	\$ 4,901,044	\$ 4,727,780

The library's reliance on general revenues is indicated by the net cost of services column reflecting the need for \$5.1 million of support as well as Table 2 on the preceding page demonstrating that general revenues comprise 95% of the Library's total revenues.

THE LIBRARY'S FUNDS

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$6.2 million, an increase of \$217,514 in comparison with the prior year. Approximately 82% of this amount (\$5.1 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$1,004,274) or for a variety of other restricted purposes (\$130,768).

**Wayne County Public Library
Wayne County Ohio**

Management's Discussion & Analysis

*For the Year Ended December 31, 2005
(Unaudited)*

THE LIBRARY'S FUNDS (continued)

The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2005 and 2004.

	<u>Fund Balance December 31, 2005</u>	<u>Fund Balance December 31, 2004</u>	<u>Increase (Decrease)</u>
General	\$ 1,852,120	\$ 1,426,826	\$ 425,294
Building & Repair	933,137	4,258,125	(3,324,988)
Liberty Street Library	2,306,299	-	2,306,299
Doylestown Branch	700,000	-	700,000
Other Governmental	427,614	316,705	110,909
Total	<u>\$ 6,219,170</u>	<u>\$ 6,001,656</u>	<u>\$ 217,514</u>

The general fund is the chief operating fund of the Library. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1.6 million, while total fund balance reached \$1.8 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33% of total general fund expenditures, while total fund balance represents 38% of that same amount.

Liberty Street Library and the Doylestown Branch funds each received a transfer from the Building & Repair fund of \$2,600,000 and \$700,000, respectfully. These transfers established two new funds and occurred in December of 2005.

The tables and graphs that follow assist in illustrating the financial activities and corresponding increase in fund balance of the Library's general fund.

General Fund Revenue Comparative Analysis

<u>Revenues</u>	<u>2005 Amount</u>	<u>2004 Amount</u>	<u>Percentage Change</u>
General Taxes	\$1,428,016	\$1,412,964	1.07%
Intergovernmental	3,712,874	3,675,246	1.02%
Other	234,772	203,434	15.40%
Total	<u>\$5,375,662</u>	<u>\$5,291,644</u>	1.59%

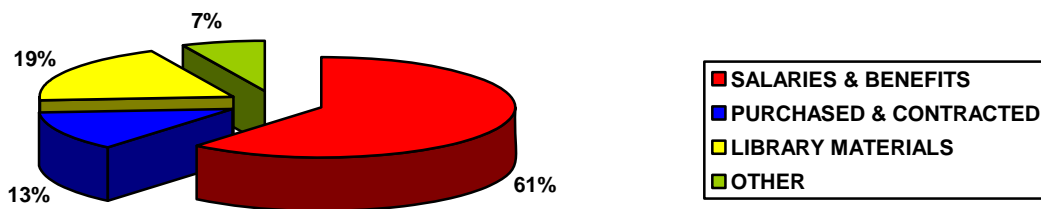
**Wayne County Public Library
Wayne County Ohio**

Management's Discussion & Analysis

*For the Year Ended December 31, 2005
(Unaudited)*

THE LIBRARY'S FUNDS (continued)

As the graph below illustrates, the largest portions of general fund expenditures are for salaries and fringe benefits. The Library is a service entity and as such is labor intensive.



Expenditures by Object:	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Change</u>	<u>Percent</u> <u>Change</u>
Salaries & Benefits	\$ 2,992,569	\$ 2,996,731	\$ (4,162)	-0.14%
Purchased Services	641,152	637,878	3,274	0.51%
Library Materials	939,071	721,552	217,519	30.15%
Other	327,576	222,183	105,393	47.44%
Total	\$ 4,900,368	\$ 4,578,344	\$ 322,024	7.03%

The variance in Library Materials increased in 2005 due to a new materials program that allows us to have multiple copies of the book or DVD for circulation. They are then returned to the vendor when no longer needed.

The Other expenditures included purchasing self check equipment for two branches. This allows patrons to check out materials without the aide of staff.

GENERAL FUND BUDGET INFORMATION

The Library's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The Library's final general fund revenue estimate exceeded actual revenues by \$135,232, or 2%, and the final amended appropriation measure exceeded actual budgetary expenditures by \$617,244, or 12%.

**Wayne County Public Library
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Management's Discussion & Analysis

*For the Year Ended December 31, 2005
(Unaudited)*

DEBT

November 8, 2005 the voters of Wayne County approved the issuance of bonds for the purpose of constructing, furnishing, equipping and otherwise improving new library facilities and improving their sites.

December 20, 2005 the Library Board of Trustees approved Resolution No. 31 to authorize the issuance and sale of library improvement notes of the library, in the aggregate principal amount of \$6,000,000. National City Bank purchased a 6 month, \$6,000,000 Library Improvement Note issued by the Wayne County Public Library on January 11, 2006. This note is to be repaid on July 11, 2006 by the proceeds of the bond sale to be in June of 2006.

RESTRICTIONS AND OTHER LIMITATIONS

A major challenge facing the Library is the future of state funding.

CONTACTING THE LIBRARY

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it administers. If you have any questions about this report or need additional financial information, contact the Clerk-Treasurer, 304 N. Market Street, Wooster, Ohio 44691-1351.

Wayne County Public Library, Wayne County Ohio
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,199,318
Investments	4,019,852
<i>Total Assets</i>	6,219,170
 Net Assets	
Permanently Restricted (non-expendable trust)	24,200
Temporarily Restricted (expendable trust)	106,524
Unrestricted	6,088,446
<i>Total Net Assets</i>	\$ 6,219,170

See accompanying notes to the basic financial statements

Wayne County Public Library, Wayne County Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Library Services:					
Public Service and Programs	\$ 2,345,793	\$ 174,669	\$ 2,000	\$ -	\$ (2,169,124)
Collection Development and Processing	1,224,074	-	2,806	-	(1,221,268)
Support Services:					
Facilities Operation and Maintenance	852,839	-	-	83,984	(768,855)
Information Services	232,944	-	-	-	(232,944)
Business Administration	512,095	-	-	-	(512,095)
Capital Outlay	197,667	-	-	-	(197,667)
Total Governmental Activities	5,365,412	174,669	4,806	83,984	(5,101,953)
General Receipts					
Property Taxes Levied for General Purposes					1,428,016
Unrestricted Gifts and Contributions					-
Grants and Entitlements not Restricted to Specific Programs					3,712,874
Interest					159,496
Miscellaneous					19,081
Total General Receipts					5,319,467
Change in Net Assets					217,514
Net Assets Beginning of Year					6,001,656
Net Assets End of Year					\$ 6,219,170

See accompanying notes to the basic financial statements

Wayne County Public Library, Wayne County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2005

	General	Building & Repair	Liberty Street Library	Doylestown Branch	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 1,269,901	\$ 208,870	\$ 494,159	\$ 50,000	\$ 176,388	\$ 2,199,318
Investments	582,219	724,267	1,812,140	650,000	251,226	4,019,852
<i>Total Assets</i>	<u>1,852,120</u>	<u>933,137</u>	<u>2,306,299</u>	<u>700,000</u>	<u>427,614</u>	<u>6,219,170</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	212,332	-	741,749	-	50,193	1,004,274
Endowments	-	-	-	-	24,200	24,200
Unreserved:						
Undesignated, Reported in:						
General Fund	1,639,788	-	-	-	-	1,639,788
Special Revenue Funds	-	-	-	-	44,760	44,760
Capital Projects Funds	-	933,137	1,564,550	700,000	201,937	3,399,624
Permanent Funds	-	-	-	-	106,524	106,524
<i>Total Fund Balances</i>	<u>\$ 1,852,120</u>	<u>\$ 933,137</u>	<u>\$ 2,306,299</u>	<u>\$ 700,000</u>	<u>\$ 427,614</u>	<u>\$ 6,219,170</u>

See accompanying notes to the basic financial statements

Wayne County Public Library, Wayne County Ohio
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Building & Repair	Liberty Street Library	Doylestown Branch	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 1,428,016	\$ -	\$ -	\$ -	\$ -	\$ 1,428,016
Intergovernmental	3,712,874	-	-	-	-	3,712,874
Patron Fines and Fees	174,669	-	-	-	-	174,669
Contributions, Gifts and Donations	-	76,984	7,000	-	4,806	88,790
Earnings on Investments	43,810	107,301	-	-	8,385	159,496
Miscellaneous	16,293	2,788	-	-	-	19,081
<i>Total Receipts</i>	<u>5,375,662</u>	<u>187,073</u>	<u>7,000</u>	<u>-</u>	<u>13,191</u>	<u>5,582,926</u>
Disbursements						
Current:						
Library Services:						
Public Service and Programs	2,343,829	-	-	-	1,964	2,345,793
Collection Development and Processing	1,223,756	-	-	-	318	1,224,074
Support Services:						
Facilities Operation and Maintenance	431,074	121,064	300,701	-	-	852,839
Information Services	232,944	-	-	-	-	232,944
Business Administration	511,590	505	-	-	-	512,095
Capital Outlay	157,175	40,492	-	-	-	197,667
<i>Total Disbursements</i>	<u>4,900,368</u>	<u>162,061</u>	<u>300,701</u>	<u>-</u>	<u>2,282</u>	<u>5,365,412</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>475,294</u>	<u>25,012</u>	<u>(293,701)</u>	<u>-</u>	<u>10,909</u>	<u>217,514</u>
Other Financing Sources (Uses)						
Transfers In	-	-	2,600,000	700,000	100,000	3,400,000
Transfers Out	(50,000)	(3,350,000)	-	-	-	(3,400,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>(3,350,000)</u>	<u>2,600,000</u>	<u>700,000</u>	<u>100,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	425,294	(3,324,988)	2,306,299	700,000	110,909	217,514
<i>Fund Balances Beginning of Year</i>	<u>1,426,826</u>	<u>4,258,125</u>	<u>-</u>	<u>-</u>	<u>316,705</u>	<u>6,001,656</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,852,120</u>	<u>\$ 933,137</u>	<u>\$ 2,306,299</u>	<u>\$ 700,000</u>	<u>\$ 427,614</u>	<u>\$ 6,219,170</u>

See accompanying notes to the basic financial statements

Wayne County Public Library, Wayne County Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 1,470,812	\$ 1,470,812	\$ 1,428,016	\$ (42,796)
Intergovernmental	3,821,569	3,846,566	3,712,874	(133,692)
Patron Fines and Fees	169,621	169,621	174,669	5,048
Earnings on Investments	20,000	20,000	43,810	23,810
Miscellaneous	3,895	3,895	16,293	12,398
<i>Total Receipts</i>	<u>5,485,897</u>	<u>5,510,894</u>	<u>5,375,662</u>	<u>(135,232)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	2,457,009	2,457,009	2,349,859	107,150
Collection Development and Processing	1,535,799	1,535,799	1,392,881	142,918
Support Services:				
Facilities Operation and Maintenance	492,257	492,257	434,678	57,579
Information Services	344,249	344,249	256,941	87,308
Business Administration	601,853	601,853	514,745	87,108
Capital Outlay	298,777	298,777	163,596	135,181
<i>Total Disbursements</i>	<u>5,729,944</u>	<u>5,729,944</u>	<u>5,112,700</u>	<u>617,244</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(244,047)</u>	<u>(219,050)</u>	<u>262,962</u>	<u>482,012</u>
Other Financing Sources (Uses)				
Transfers Out	(50,000)	(50,000)	(50,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(294,047)	(269,050)	212,962	482,012
<i>Fund Balance Beginning of Year</i>	1,073,290	1,073,290	1,073,290	-
Prior Year Encumbrances Appropriated	353,536	353,536	353,536	-
<i>Fund Balance End of Year</i>	<u>\$ 1,132,779</u>	<u>\$ 1,157,776</u>	<u>\$ 1,639,788</u>	<u>\$ 482,012</u>

See accompanying notes to the basic financial statements

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Wayne County Public Library, Wayne 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 Ohio. The Library is directed by a seven member Board of Trustees: four are appointed by the Wayne County Commissioners and three are appointed by the Wayne County Common Pleas Court Judges. 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. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Library. All of the Library's activities are considered *governmental activities*, which are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

Both the government-wide and fund financial statements were prepared using the modified cash basis of accounting, 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).

The library reports the following major governmental funds:

The *General Fund* is the library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Building and Repair Fund* accounts for the resources accumulated for the construction, improvement and repair of capital facilities.

The *Liberty Street Fund* is used to account for resources accumulated for the construction of a new main library.

The *Doylestown Branch Fund* is used to account for resources accumulated for construction of a new library in the village of Doylestown.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

The Library's pooled cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Library's investment in federal agency securities is reported at cost. The Library's investments in STAR Ohio (the State Treasurer's Investment Pool) and money market mutual funds are reported at the value of their shares, which approximates fair value.

E. Capital Assets

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.

F. Fund Balance/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide financial statements, governmental activities report temporary and permanent restrictions of net assets for amounts that are restricted by outside parties for use for a specific purpose.

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

While the Library is reporting financial position, results of operations, and changes in fund balances on the modified cash basis of accounting, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-cash Basis) and Actual – for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The only difference between the budget basis and modified cash basis is that in order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (modified cash basis).

The adjustment necessary to convert the results of operations for the year ended December 31, 2005, on the modified cash basis to the budget basis are as follows:

**Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses**

	<u>General Fund</u>
Modified cash basis	\$ 425,294
Encumbrances	<u>(212,332)</u>
Budget basis	<u><u>\$ 212,962</u></u>

The Board must annually approve the appropriation measure and subsequent amendments. Unencumbered appropriations do not lapse at year end and therefore are not re-appropriated in the following year. Budgetary expenditures (that is, disbursements plus encumbrances) may not exceed appropriations at the fund level, which is the Library's legal level of control.

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Library has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the Treasurer, or qualified trustee, unless the securities are not represented by a certificate, in which payment may be made upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits - At year-end, the carrying amount of the Library's deposits was \$1,584,732 and the bank balance was \$1,834,451. Of the bank balance, \$297,116 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

Investments – The Library's investment policy is limited to complying with state stature.

As of December 31, 2005, the Library had the following investments and maturities:

<u>Investment Type</u>	<u>Cost Basis</u>	<u>6 months or less</u>	<u>7 to 12 Months</u>	<u>13 to 24 Months</u>
Federal Home Loan Bank	3,001,142	1,005,156	1,500,092	495,894
Star Ohio	1,633,296	1,633,296		
Total	<u>\$ 4,634,438</u>	<u>\$ 2,638,452</u>	<u>\$ 1,500,092</u>	<u>\$ 495,894</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Library's investment policy limits investment portfolio maturities to five years or less.

Credit Risk. Standard and Poor's has assigned an investment rating of AAAM to Star Ohio and AAA to Federal Home Loan Bank. The Library's investment policy does not limit exposure to credit risk.

Concentration of Credit Risk. The Library's places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the Library at December 31, 2005:

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Fair Value % of Total</u>	
Federal Home Loan Bank	3,001,142	65%
Star Ohio	<u>1,633,296</u>	<u>35%</u>
Total	<u>\$ 4,634,438</u>	<u>100%</u>

NOTE 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), which is included in Government Grants-In-Aid. 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 knowledge of 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 the taxing authority of the subdivision to whose jurisdiction the Library is subject. 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 Governments Grants-In-Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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.

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 5 – PENSION PLAN

All Library employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

- 1) The Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
- 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

The 2005 member contribution rate for Library employees was 8.5% of covered payroll. The 2005 employer contribution rate for the Library was 13.55% of covered payroll. The Library's contributions to OPERS for the years ended December 31, 2005, 2004, and 2003 were \$327,795, \$316,842, and \$383,331, respectively. The full amount has been contributed for 2003 and 2002. At year-end, 92 percent has been contributed for 2005 and the full amounts for 2003 and 2004..

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 employer contribution rate was 13.55% of covered payroll, and 4% was used to fund health care for the year. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2004.

Fund Method - An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method - All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return - The investment assumption rate for 2004 was 8%.

Active Employee Total Payroll - An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .5% to 6.3%.

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB's are advance-funded on an actuarially determined basis.

At year-end 2005, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 376,109.

The contribution rates stated above are the actuarially determined contribution requirements for OPERS. The portion of the Library's 2005 contributions that were used to fund post-employment benefits was \$96,765.

\$10.8 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004.

The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 7 – LEASE OBLIGATIONS

The Library has entered into the following operating leases agreements:

Office Lease – The Library leases the office space at 345 North Market Street in Wooster for a total cost of \$2,000 a month. The lease is on a month to month basis.

Parking Spaces – The Library leases twenty seven (27) parking spaces for a total cost of \$405 a month. The lease is on a month to month basis in which the Library must provide 30 day notice to expire the lease.

Real Estate – The Library leases real estate located on East Buckeye Street in West Salem for a total cost of \$200 a month. The lease is on a month to month basis.

Storage Space – The Library leases storage space for three bookmobiles for a total cost of \$800 a month. The lease is on a month to month basis.

Copier Leases - The Library leases 8 copiers for a total cost of \$11,652 for the year. The lease expires on January 29, 2006.

Postage Meter – The Library leases a postage meter for a total cost of \$\$239 for the year. The lease expires in July 2009.

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 8 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library has obtained commercial insurance for comprehensive property and general liability, vehicles, and public official errors and omissions.

The type of coverage and limit for each is as follows:

Coverage	Limit
Commercial Property:	
Building	\$4,642,200
Personal Property	\$1,348,022
Automobile Liability:	
Physical Damage	\$25,000
Bodily Injury	\$500,000
Public Officials Liability	\$2,000,000
Equipment Breakdown	\$6,600,000

Settlements have not exceeded coverage in any of the last three fiscal years. There has been no significant reduction in coverage from the prior year.

NOTE 9 - EMPLOYEE BENEFITS

A. Deferred Compensation Plan

Employees of the Library may elect to participate in the Ohio Public Employees deferred compensation plan. Under this program, employees elect to defer a portion of their pay. The deferred pay and any income earned on it are not subject to federal and state income taxation until actually received by the employee. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

B. Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation leave on a biweekly basis and allows the unused balance to be accumulated at levels which depend upon years of service. For part-time employees, vacation leave is credited based on actual hours worked on a pro-rated basis. Library employees are paid for earned, unused vacation leave at the time of termination of employment.

Regular full-time employees are entitled to ten (10) hours of sick leave for each completed month of service. Regular part-time employees budgeted for at least 20 hours per week will be given sick leave proportionate to the number of hours worked. Unused sick leave may be accumulated without limit and carried over from year to year. Any retiring employee, who has worked for the Library for at least five (5) years, may be paid for unused sick leave in the amount of 25 percent of accrued sick leave not to exceed 240 hours. To receive payment, the employee's retirement must be authorized by PERS.

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 10 – INTERFUND TRANSFERS

The Library uses interfund transfers to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

Interfund transfers during the fiscal year were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Building and Repair Fund		\$3,350,000
General Fund		\$50,000
Liberty Street Fund	\$2,600,000	
Doylestown Branch	\$700,000	
Technology Fund	\$50,000	
Larwill Administrative Center	\$50,000	

NOTE 11 – SUBSEQUENT EVENTS

December 20, 2005 the Library Board of Trustees approved Resolution No. 31 to authorize the issuance and sale of library improvement notes of the library, in the aggregate principal amount of \$6,000,000. National City Bank purchased a 6 month, \$6,000,000 Library Improvement Note issued by the Wayne County Public Library on January 11, 2006. This note is to be repaid on July 11, 2006 by the proceeds of the bond sale to be in June of 2006.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Wayne County Public Library
304 North Market Street
Wooster, Ohio 44691

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County Public Library, Wayne County, Ohio (the Library) as of and for the year ended December 31, 2005, and have issued our report thereon dated July 28, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 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 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted an other matter that does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated July 28, 2006.

This report is intended solely for the information and use of the Finance/Audit Committee, management, Board of Trustees and other officials authorized to receive this report under Section 117.26 of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates
July 28, 2006



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

WAYNE COUNTY PUBLIC LIBRARY

WAYNE 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
SEPTEMBER 21, 2006**