

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

**ANNUAL AUDIT
JANUARY 1, 2004 – DECEMBER 31, 2004**



**Auditor of State
Betty Montgomery**

Board of Trustees
Wayne County Public Library

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, 2004 through December 31, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 20, 2005

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**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

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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, 2004, 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, 2004, and the respective changes in modified cash basis financial position and the respective budgetary comparison for the general fund thereof 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 June 14, 2005, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Wayne County Public Library
Independent Auditor's Report
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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
June 14, 2005

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

As 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, 2004.

FINANCIAL HIGHLIGHTS

- The Library's total net assets increased by \$518,637, or 9.5%.
- As of the close of the most recent fiscal year, the fund balance in the Library's general fund was 1.4 million, an increase of \$185,251, or 14.9%, from the previous year.
- At December 31, 2004, the Library's general fund had 90 days available fund balance, up from 83 days as of the close of the previous fiscal year.
- At the end of the fiscal year, the Library was able to set aside \$500,000 in the building and repair fund for the future construction of a new Wooster main library building.

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 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 as a whole.

The statement of net assets presents information on all of the Library's assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the overall 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.

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 13 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 and the building and repair fund. These two funds are the Library's only major funds. Data from the other 11 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.

WAYNE COUNTY PUBLIC LIBRARY
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MANAGEMENT'S DISCUSSION & ANALYSIS
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(UNAUDITED)

THE LIBRARY AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the Library as a whole. Table 1 provides a summary of the Library's net assets for 2004 compared to 2003.

TABLE 1

Net Assets

	2004	2003
Assets		
Current Assets	<u>\$ 6,001,656</u>	<u>\$ 5,483,019</u>
Total Assets	<u>6,001,656</u>	<u>5,483,019</u>
Net Assets		
Restricted	127,527	125,335
Unrestricted	<u>5,874,129</u>	<u>5,357,684</u>
Total Net Assets	<u>\$ 6,001,656</u>	<u>\$ 5,483,019</u>

A portion of the Library's net assets (2.1%) represents resources that are subject to external restrictions on how they may be used. The unrestricted net asset amount is available to meet the ongoing obligations to citizens and creditors.

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(UNAUDITED)**

Table 2 shows the changes in net assets for the fiscal year ended December 31, 2004.

TABLE 2

Changes in Net Assets

Revenues:	
Program Revenues	
Charges for Services	\$ 166,903
Capital Grants	8
Operating Grants	<u>6,353</u>
Total Program Revenues	173,264
General Revenues	
Taxes	1,412,964
Grants and Entitlements	3,675,246
Other Revenue	<u>158,207</u>
Total General Revenue	<u>5,246,417</u>
Total Revenues	<u>5,419,681</u>
Expenses:	
Program Expenses	
Public Service and Programs	2,356,633
Collection Development and Processing	977,905
Facilities Operation and Maintenance	411,927
Information Services	312,082
Business Administration	480,461
Capital Outlay	<u>362,036</u>
Total Expenses	<u>4,901,044</u>
Changes in Net Assets	<u>\$ 518,637</u>

General revenues comprise 97% 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 48% and 20% 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.

In future years, when prior year information is available, a comparative analysis of changes in net assets will be presented.

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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 below 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 and unrestricted state entitlements.

TABLE 3

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program Expenses		
Library Services:		
Public Service and Programs	\$ 2,356,633	\$ 2,186,722
Collection Development and Processing	977,905	974,552
Support Services		
Facilities and Operation Maintenance	411,927	411,927
Information Services	312,082	312,082
Business Administration	480,461	480,461
Capital Outlay	362,036	362,036
Total Expense	<u>\$ 4,901,044</u>	<u>\$ 4,727,780</u>

The library's reliance on general revenues is indicated by the net cost of services column reflecting the need for \$4.7 million of support as well as Table 2 on the preceding page demonstrating that general revenues comprise 97% of the Library's total revenues.

In future years, when prior year information is available, a comparative analysis of total and net cost of services will be presented.

**WAYNE COUNTY PUBLIC LIBRARY
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**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

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 million, an increase of \$518,637 in comparison with the prior year. Approximately 91% of this amount (\$5.5 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 (\$380,056) or represents the nonexpendable portion of endowments (\$24,200).

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2004 and 2003.

	<u>Fund Balance</u> <u>December 31, 2004</u>	<u>Fund Balance</u> <u>December 31, 2003</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 1,426,826	\$ 1,241,575	\$ 185,251
Building & Repair	4,258,125	3,970,481	287,644
Other Governmental	316,705	270,963	45,742
Total	<u>\$ 6,001,656</u>	<u>\$ 5,483,019</u>	<u>\$ 518,637</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 \$1.1 million, while total fund balance reached \$1.4 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 23% of total general fund expenditures, while total fund balance represents 31% of that same amount.

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

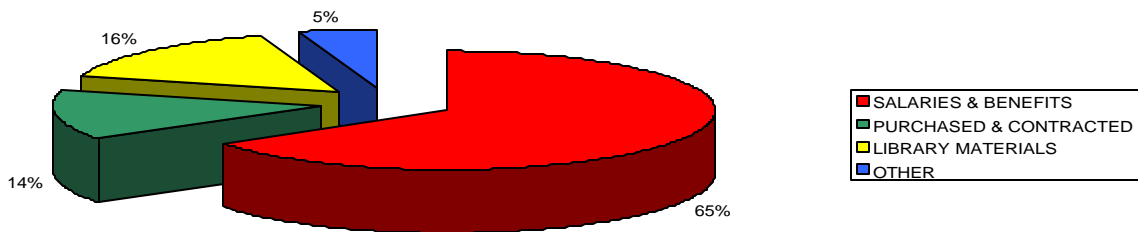
General Fund Revenue Comparative Analysis

<i>Revenues</i>	<i>2004</i> <i>Amount</i>	<i>2003</i> <i>Amount</i>	<i>Percentage</i> <i>Change</i>
General Taxes	\$1,412,964	\$1,376,039	2.68%
Intergovernmental	3,675,246	3,643,149	0.88%
Other	<u>203,434</u>	<u>184,025</u>	10.55%
Total	<u>\$5,291,644</u>	<u>\$5,203,213</u>	1.70%

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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.



	<i>2004</i>	<i>2003</i>	<i>Change</i>	<i>Percent</i>
Expenditures by Object:	<i>Amount</i>	<i>Amount</i>		<i>Change</i>
Salaries & Benefits	\$ 2,996,731	\$ 3,133,526	\$ (136,795)	-4.37%
Purchased Services	637,878	580,183	57,695	9.94%
Library Materials	721,552	816,823	(95,271)	-11.66%
Other	222,183	218,929	3,254	1.49%
Total	<u><u>\$ 4,578,344</u></u>	<u><u>\$ 4,749,461</u></u>	<u><u>\$ (171,117)</u></u>	-3.60%

Unrestricted state entitlement funding was reduced for the state biennium budget for July 2003 to June 2005. In light of this, the Library reduced wages and benefits through a lay-off in April 2003.

The building and repair fund accounts for the resources accumulated to the construction, improvement and repair of capital facilities. During the fiscal year, expenditures in the building and repair fund outstripped revenues; however, a \$500,000 transfer in from the general fund resulted in the fund balance increase noted above.

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**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

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 final amended appropriation measure for the general fund exceeded the original appropriation measure by \$527,519, or 9.7%, primarily as a result of not accounting for transfers in the original appropriation measure. There were no amendments to the original revenue estimate.

The Library's final general fund revenue estimate exceeded actual revenues by \$28,745, or less than 1%, and the final amended appropriation measure exceeded actual budgetary expenditures by \$496,638, or 10.1%.

Restrictions and Other Limitations

The uncertain future of state entitlement funding continues to be a major challenge facing the Library.

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.

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Wayne County Public Library, Wayne County Ohio
Statement of Net Assets - Modified Cash Basis
December 31, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,755,683
Investments	4,245,973
<i>Total Assets</i>	6,001,656
 Net Assets	
Restricted for:	
Permanent Fund Purpose	
Expendable	103,327
Nonexpendable	24,200
Unrestricted	5,874,129
<i>Total Net Assets</i>	\$ 6,001,656

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, 2004

	Program Cash Receipts				Net (Disbursement)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Receipt and Change in Net Assets
Governmental Activities					
Library Services:					
Public Service and Programs	\$ 2,356,633	\$ 166,903	\$ 3,000	\$ 8	\$ (2,186,722)
Collection Development and Processing	977,905	-	3,353	-	(974,552)
Support Services:					
Facilities Operation and Maintenance	411,927	-	-	-	(411,927)
Information Services	312,082	-	-	-	(312,082)
Business Administration	480,461	-	-	-	(480,461)
Capital Outlay	362,036	-	-	-	(362,036)
<i>Total Governmental Activities</i>	<u>4,901,044</u>	<u>166,903</u>	<u>6,353</u>	<u>8</u>	<u>(4,727,780)</u>
General Receipts					
Property Taxes Levied for General Purposes					1,412,964
Unrestricted Gifts and Contributions					25,000
Grants and Entitlements not Restricted to Specific Programs					3,675,246
Interest					113,107
Miscellaneous					20,100
<i>Total General Receipts</i>					<u>5,246,417</u>
Change in Net Assets					518,637
<i>Net Assets Beginning of Year</i>					<u>5,483,019</u>
<i>Net Assets End of Year</i>					<u>\$ 6,001,656</u>

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, 2004

	<u>General</u>	<u>Building & Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 835,539	\$ 826,272	\$ 93,872	\$ 1,755,683
Investments	591,287	3,431,853	222,833	4,245,973
<i>Total Assets</i>	<u>1,426,826</u>	<u>4,258,125</u>	<u>316,705</u>	<u>6,001,656</u>
Fund Balances				
Reserved for:				
Encumbrances	353,536	26,520	-	380,056
Endowments	-	-	24,200	24,200
Unreserved, Undesignated reported in:				
General Fund	1,073,290	-	-	1,073,290
Special Revenue Funds	-	-	41,378	41,378
Capital Projects Funds	-	4,231,605	147,800	4,379,405
Permanent Funds	-	-	103,327	103,327
<i>Total Fund Balances</i>	<u>\$ 1,426,826</u>	<u>\$ 4,258,125</u>	<u>\$ 316,705</u>	<u>\$ 6,001,656</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, 2004

	General	Building & Repair	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 1,412,964	\$ -	\$ -	\$ 1,412,964
Intergovernmental	3,675,246	-	-	3,675,246
Patron Fines and Fees	166,903	-	-	166,903
Contributions, Gifts and Donations	3,765	8	27,588	31,361
Earnings on Investments	23,220	84,600	5,287	113,107
Miscellaneous	9,546	10,554	-	20,100
<i>Total Receipts</i>	<u>5,291,644</u>	<u>95,162</u>	<u>32,875</u>	<u>5,419,681</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	2,356,633	-	-	2,356,633
Collection Development and Processing	977,188	-	717	977,905
Support Services:				
Facilities Operation and Maintenance	368,292	43,635	-	411,927
Information Services	312,082	-	-	312,082
Business Administration	480,097	364	-	480,461
Capital Outlay	84,052	263,519	14,465	362,036
<i>Total Disbursements</i>	<u>4,578,344</u>	<u>307,518</u>	<u>15,182</u>	<u>4,901,044</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>713,300</u>	<u>(212,356)</u>	<u>17,693</u>	<u>518,637</u>
Other Financing Sources (Uses)				
Transfers In	-	500,000	28,049	528,049
Transfers Out	(528,049)	-	-	(528,049)
<i>Total Other Financing Sources (Uses)</i>	<u>(528,049)</u>	<u>500,000</u>	<u>28,049</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	185,251	287,644	45,742	518,637
<i>Fund Balances Beginning of Year, as restated</i>	<u>1,241,575</u>	<u>3,970,481</u>	<u>270,963</u>	<u>5,483,019</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,426,826</u>	<u>\$ 4,258,125</u>	<u>\$ 316,705</u>	<u>\$ 6,001,656</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, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 1,470,812	\$ 1,470,812	\$ 1,412,964	\$ (57,848)
Intergovernmental	3,660,219	3,660,219	3,675,246	15,027
Patron Fines and Fees	167,821	167,821	166,903	(918)
Contributions, Gifts and Donations	5,442	5,442	3,765	(1,677)
Earnings on Investments	12,000	12,000	23,220	11,220
Miscellaneous	4,095	4,095	9,546	5,451
<i>Total receipts</i>	<u>5,320,389</u>	<u>5,320,389</u>	<u>5,291,644</u>	<u>(28,745)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	2,423,111	2,416,958	2,361,483	55,475
Collection Development and Processing	1,448,829	1,448,005	1,234,356	213,649
Support Services:				
Facilities Operation and Maintenance	441,121	445,744	373,487	72,257
Information Services	358,043	373,262	335,367	37,895
Business Administration	590,709	574,954	487,958	86,996
Capital Outlay	167,235	169,595	139,229	30,366
<i>Total Disbursements</i>	<u>5,429,048</u>	<u>5,428,518</u>	<u>4,931,880</u>	<u>496,638</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(108,659)</u>	<u>(108,129)</u>	<u>359,764</u>	<u>467,893</u>
Other Financing Sources (Uses)				
Transfers Out	-	(528,049)	(528,049)	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(528,049)</u>	<u>(528,049)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(108,659)	(636,178)	(168,285)	467,893
<i>Fund Balance Beginning of Year</i>	1,026,132	1,026,132	1,026,132	-
Prior Year Encumbrances Appropriated	215,443	215,443	215,443	-
<i>Fund Balance End of Year</i>	<u>\$ 1,132,916</u>	<u>\$ 605,397</u>	<u>\$ 1,073,290</u>	<u>\$ 467,893</u>

See accompanying notes to the basic financial statements

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**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

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

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.

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

**WAYNE COUNTY PUBLIC LIBRARY
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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**

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

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, 2004, 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	\$ 185,251
Encumbrances	<u>(353,536)</u>
Budget basis	<u>\$ (168,285)</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**

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

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**

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

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 \$1,227,965 and the bank balance was \$1,343,018. Of the bank balance, \$302,628 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 - GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the carrying amounts and market values of investments, classified by risk.

The Library's investments are categorized to give an indication of the level of risk assumed by the Library at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments, for which the securities are held by the counterparty's trust department or an agent in the Library's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or its trust department but not in the Library's name. Investments in STAR Ohio and money market mutual funds are unclassified since they are not evidenced by securities that exist in physical or book entry form.

Investment Type	Category	Cost	Fair Value
Federal Agency Securities	1	\$ 3,001,142	\$ 3,026,449
Repurchase Agreement	3	954,885	954,885
Money Market Mutual Funds	N/A	76,909	76,909
STAR Ohio	N/A	740,755	740,755
Total Investments		\$ 4,773,691	\$ 4,798,998

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

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

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

A reconciliation between the classifications of cash and cash equivalents and investments on the financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,755,683	\$ 4,245,973
Pooled Investments:		
STAR Ohio	(740,755)	740,755
Money Market Mutual Fund	(76,909)	76,909
Repurchase Agreement	(954,885)	954,885
Certificates of deposit with original maturities greater than ninety days	1,244,831	(1,244,831)
GASB Statement No. 3	\$ 1,227,965	\$ 4,773,691

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**

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

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 2004, 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 2004 member contribution rate for Library employees was 8.5% of covered payroll. The 2004 employer contribution rate for the Library was 13.55% of covered payroll. The Library's contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$316,842, \$383,331, and \$346,970, respectively. The full amount has been contributed for 2003 and 2002. At year-end, 92 percent has been contributed for 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**

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

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 2004 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, 2003.

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 2003 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 2004, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885.

The contribution rates stated above are the actuarially determined contribution requirements for OPERS. The portion of the Library's 2004 contributions that were used to fund post-employment benefits was \$93,532.

\$10.5 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003.

The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

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

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 \$24,000 for the year. The lease expires on December 31, 2005 with the option to renew.

Parking Spaces – The Library leases twenty seven (27) parking spaces for a total cost of \$4,860 for the year. The lease expires on May 31, 2005 and, in the absence of notification from either party, automatically renews for an unlimited number of successive one-year terms.

Real Estate – The Library leases real estate located on East Buckeye Street in West Salem for a total cost of \$2,400 for the year. The lease expires on September 1, 2005 with the option to renew for an additional term of twelve months at the same rate.

Storage Space – The Library leases storage space for three bookmobiles for a total cost of \$9,600 for the year. The lease expires on October 31, 2005 with the option to extend 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.

Facsimile Lease – The Library leases a fax machine for a total cost of \$732 for the year. The lease expires in November 2005.

Postage Meter – The Library leases a postage meter for a total cost of \$636 for the year. The lease expires in August 2005.

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

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

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:

<u>Coverage</u>	<u>Limit</u>
Commercial Property:	
Building	\$3,971,000
Personal Property	\$1,191,159
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**

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

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.

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLES

Although the Library's financial statements are not prepared in accordance with accounting procedures generally accepted in the United States (GAAP), the Library has reformatted its financial statements to substantially conform with the display and now applicable disclosure requirements of GAAP in accordance with the new reporting requirements outlined in GASB Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." The financial statements now include entity-wide financial statements, which present information for the Library as a whole, and fund financial statements, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The library also implemented GASB Statement No. 37, which clarifies certain provisions of Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds, and GASB Statement No. 38, which modifies, establishes and rescinds certain financial statement note disclosures.

The Library's expendable and nonexpendable trust funds, previously reported as fiduciary funds, have all been reclassified as either special revenue funds or permanent funds in accordance with GASB Statement No. 34. The effect of these reclassifications on the governmental fund balance is presented as follows:

	<u>Governmental Funds</u>
Fund Balance December 31, 2003	5,346,513
Reclassifications:	
Expendable trust funds	11,171
Nonexpendable trust funds	125,335
Adjusted balance December 31, 2003	<u>5,483,019</u>

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY
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, 2004, and have issued our report thereon dated June 14, 2005. 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 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 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. However, we noted other matters 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 14, 2005.

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, and contracts, 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 that are required to be reported under *Government Auditing Standards*.

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
June 14, 2004



**Auditor of State
Betty Montgomery**

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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
AUGUST 4, 2005**