



Mary Taylor, CPA  
Auditor of State



GARNET A. WILSON PUBLIC LIBRARY  
PIKE COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Garnet A. Wilson Public Library  
Pike County  
207 North Market Street  
Waverly, Ohio 45690

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Garnet A. Wilson Public Library, Pike County, Ohio (the Library), as of and for the years ended December 31, 2006 and 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 financial position of the governmental activities and each major fund of the Garnet A. Wilson Public Library, Pike County, Ohio, as of December 31, 2006 and 2005, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 principally 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 27, 2007

Garnet A. Wilson Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005

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This discussion and analysis of the Garnet A. Wilson Public Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2006 - 2005, within the limitations of the Library's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

### **Highlights**

Key highlights for 2005 and 2006 are as follows:

Net assets of governmental activities increased \$1,139 or 0 percent for 2005, and increased \$5,967 or 1 percent for 2006 from 2005. The fund most affected by the increase in cash and cash equivalents was the General Fund.

The Library's general receipts are primarily State Library and Local Government Support Fund receipts. These receipts represent 92.3 percent for 2005 and 92.3 percent for 2006 of the total cash received for governmental activities during the year. These receipts for 2005 and 2006 changed very little compared to 2004.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's modified cash basis of accounting.

#### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

#### **Basis of Accounting**

The basis of accounting is a set of guidelines that determines when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

### **Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2005 and 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges for services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position represent one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well, such as the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources.

In the statement of net assets and the statement of activities, the Library has one type of activity:

Governmental activities. All of the Library's basic services are reported here, including library services, support services, capital outlay, and debt service. State intergovernmental grants finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

### **Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are all governmental.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and the Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



Garnet A. Wilson Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005

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**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2005 and 2006 compared to 2004 on a modified cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		
	2006	2005	2004
<b>Assets:</b>			
Cash and Cash Equivalents	\$161,577	\$222,940	\$182,271
Investments	389,442	322,112	361,642
Total Assets	\$551,019	\$545,052	\$543,913
<b>Net Assets:</b>			
Restricted for:			
Capital Projects	\$281,684	\$327,104	\$359,330
Unrestricted	269,335	217,948	184,583
Total Net Assets	\$551,019	\$545,052	\$543,913

As mentioned previously, net assets of governmental activities increased \$1,139 or 0 percent during 2005 and increased \$5,967 or 1 percent during 2006.

Garnet A. Wilson Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005

Table 2 reflects the changes in net assets in 2005 and 2006. Listed below is a comparative analysis of government-wide data.

(Table 2)  
**Change in Net Assets**

	Governmental Activities 2004	Governmental Activities 2005	Governmental Activities 2006
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$34,286	\$36,677	\$35,412
Operating Grants and Contributions	5,225	3,950	3,600
Capital Grants and Contributions	21,624		
Total Program Receipts	<u>61,135</u>	<u>40,627</u>	<u>39,012</u>
General Receipts:			
Intergovernmental	963,333	968,643	968,643
Unrestricted Gifts and Contributions	6,087	5,310	4,058
Notes Issued	102,127		
Interest	7,871	14,866	22,608
Miscellaneous	16,162	19,796	15,042
Total General Receipts	<u>1,095,580</u>	<u>1,008,615</u>	<u>1,010,351</u>
Total Receipts	<u>1,156,715</u>	<u>1,049,242</u>	<u>1,049,363</u>
Disbursements:			
Governmental Activities:			
General Library Services	893,970	902,366	951,246
Capital Outlay	49,524	49,328	92,150
Debt Service:			
Principal Retirement	171,349	95,146	
Interest and Fiscal Issues	5,129	1,263	
Total Disbursements	<u>1,119,972</u>	<u>1,048,103</u>	<u>1,043,396</u>
Increase (Decrease) in Net Assets	36,743	1,139	5,967
Net Assets, January 1	<u>507,170</u>	<u>543,913</u>	<u>545,052</u>
Net Assets, December 31	<u>\$543,913</u>	<u>\$545,052</u>	<u>\$551,019</u>

Program receipts represent only 3.9 percent of total receipts in 2005 and 3.7 percent of total receipts in 2006 and are primarily comprised of restricted intergovernmental receipts such as charges for services and grants and contributions.

General receipts represent 96.1 and 96.3 percent of the Library's total receipts in 2005 and 2006, respectively, and of this amount, 96.0 percent are intergovernmental receipts for 2005 and 95.9 percent for 2006. Miscellaneous receipts, unrestricted gifts and interest make up the balance of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Library Services represent the overhead costs of running the Library and the support services provided for the other Government activities. These include the costs of public service programs, facility operation and maintenance, and library branch offices, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 100% of General Fund unrestricted receipts.

**Governmental Activities**

If you look at the Statements of Activities on pages 10 and 16, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by the State Library and Local Government Support Fund and other receipts. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost Of Services 2005	Net Cost of Services 2005	Total Cost Of Services 2006	Net Cost of Services 2006
Governmental Activities				
General Library Services	\$902,366	\$872,220	\$951,246	\$915,362
Capital Outlay	49,328	47,896	92,150	89,022
Debt Service				
Principal Retirement	95,146	86,216		
Interest and Fiscal Charges	1,263	1,144		
<b>Total Expenses</b>	<b>\$1,048,103</b>	<b>\$1,007,476</b>	<b>\$1,043,396</b>	<b>\$1,004,384</b>

The dependence upon intergovernmental receipts is apparent as 96.1 percent in 2005 and 96.3 percent in 2006 of governmental activities are supported through these general receipts.

**The Library's Funds**

Total governmental funds had receipts of \$1,049,242 and disbursements of \$1,048,103 for 2005 and had receipts of \$1,049,363 and disbursements of \$1,043,396 for 2006. There was no great change from year to year.

General Fund disbursements were constant with receipts in 2005 and 2006. In light of the continued uncertainty regarding the Local Government Support Fund, it was the recommendation of the Finance Committee and the administration that a continued reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2005 and 2006. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in the Local Government Support Funding is reduced or remains stagnant.

### **General Fund Budgeting Highlights**

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005 and 2006, the Library did not amend its General Fund budget. Final budgeted receipts were the same as the original budgeted receipts. There were minimal differences between final budgeted receipts and actual receipts in either year.

In 2006, final General Fund disbursements were budgeted at \$1,058,664 while actual General Fund disbursements were \$997,976. In 2005, final General fund disbursements were budgeted at \$1,098,320 while actual General Fund disbursements were \$1,015,877. Although receipts failed to live up to expectations in 2005, appropriations were not reduced. The Library kept spending very close to budgeted amounts as demonstrated by the original budget amounts as compared to the final budgeted amounts.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

The Library does not currently keep track of its capital assets and infrastructure.

#### **Current Issues**

As the preceding information shows, the Library heavily depends on intergovernmental monies. With the Local Government Support Fund being frozen at the 2001 level for the calendar year 2005, and remaining frozen through 2006 as well as the fiscal year 2007, the Library will be faced with making changes over the next several years to contain costs and determine what other options are available to the Library to increase financial resources.

### **Contacting the Library's Financial Management**

This financial report is designed to provide our patrons and creditors with a general overview of the Library's cash basis finances and to show the Library's accountability for the monies it receives. If you have questions about this report or need additional information financial information, contact Peggy L. Foster, Clerk-Treasurer, Garnet A. Wilson Public Library, 207 North Market Street, Waverly, Ohio 45690-1176.

**Garnet A. Wilson Public Library  
Pike County**

*Statement of Net Assets - Modified Cash Basis  
December 31, 2006*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$161,577
Investments	389,442
<i>Total Assets</i>	<u>\$551,019</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$281,684
Unrestricted	269,335
<i>Total Net Assets</i>	<u>\$551,019</u>

See accompanying notes to the basic financial statements

**Garnet A. Wilson Public Library  
Pike County**

*Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2006*

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
	Governmental Activities		
<b>Governmental Activities</b>			
General Library Services	\$951,246	\$32,284	\$3,600
Capital Outlay	92,150	3,128	(\$915,362)
	<u>1,043,396</u>	<u>\$35,412</u>	<u>(\$1,004,384)</u>
<b>Total Governmental Activities</b>	<u>\$1,043,396</u>	<u>\$35,412</u>	<u>\$3,600</u>
<b>General Receipts</b>			
Grants and Entitlements not Restricted to Specific Progr			968,643
Unrestricted Gifts and Contributions			4,058
Interest			22,608
Miscellaneous			15,042
			<u>1,010,351</u>
<b>Total General Receipts</b>			1,010,351
Change in Net Assets			5,967
<b>Net Assets Beginning of Year</b>			<u>545,052</u>
<b>Net Assets End of Year</b>			<u>\$551,019</u>

See accompanying notes to the basic financial statements

**Garnet A. Wilson Public Library  
Pike County**

*Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2006*

	General	Capital Projects	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$161,577		\$161,577
Investments	107,758	\$281,684	389,442
<i>Total Assets</i>	<i>\$269,335</i>	<i>\$281,684</i>	<i>\$551,019</i>
<b>Fund Balances</b>			
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	\$269,335		\$269,335
Capital Project Funds		\$281,684	281,684
<i>Total Fund Balances</i>	<i>\$269,335</i>	<i>\$281,684</i>	<i>\$551,019</i>

See accompanying notes to the basic financial statements

**Garnet A. Wilson Public Library  
Pike County**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006*

	General	Capital Projects	Total Governmental Funds
<b>Receipts</b>			
Intergovernmental	\$968,643		\$968,643
Patron Fines and Fees	29,412		29,412
Contributions, Gifts and Donations	7,658		7,658
Earnings on Investments	22,608		22,608
Miscellaneous	21,042		21,042
<i>Total Receipts</i>	<u>1,049,363</u>	<u>\$0</u>	<u>1,049,363</u>
<b>Disbursements</b>			
General Library Services	951,246		951,246
Capital Outlay	46,730	45,420	92,150
<i>Total Disbursements</i>	<u>997,976</u>	<u>45,420</u>	<u>1,043,396</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	51,387	(45,420)	5,967
<i>Fund Balances Beginning of Year</i>	<u>217,948</u>	<u>327,104</u>	<u>545,052</u>
<i>Fund Balances End of Year</i>	<u><u>\$269,335</u></u>	<u><u>\$281,684</u></u>	<u><u>\$551,019</u></u>

See accompanying notes to the basic financial statements



**Garnet A. Wilson Public Library  
Pike County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts</b>				
Intergovernmental	\$968,664	\$968,664	\$968,643	(\$21)
Patron Fines and Fees			29,412	29,412
Contributions, Gifts and Donations			7,658	7,658
Earnings on Investments			22,608	22,608
Miscellaneous	40,000	40,000	21,042	(18,958)
<i>Total Receipts</i>	<u>1,008,664</u>	<u>1,008,664</u>	<u>1,049,363</u>	<u>40,699</u>
<b>Disbursements</b>				
General Library Services	1,051,664	1,051,664	951,246	100,418
Capital Outlay	7,000	7,000	46,730	(39,730)
<i>Total Disbursements</i>	<u>1,058,664</u>	<u>1,058,664</u>	<u>997,976</u>	<u>60,688</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(50,000)	(50,000)	51,387	101,387
<i>Fund Balance Beginning of Year</i>	<u>217,948</u>	<u>217,948</u>	<u>217,948</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$167,948</u>	<u>\$167,948</u>	<u>\$269,335</u>	<u>\$101,387</u>

See accompanying notes to the basic financial statements

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**Garnet A. Wilson Public Library  
Pike County**

*Statement of Net Assets - Modified Cash Basis  
December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$222,940
Investments	<u>322,112</u>
<i>Total Assets</i>	<u><u>\$545,052</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$327,104
Unrestricted	<u>217,948</u>
<i>Total Net Assets</i>	<u><u>\$545,052</u></u>

See accompanying notes to the basic financial statements

**Garnet A. Wilson Public Library  
Pike County**

*Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2005*

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts and Changes in Net Assets
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
General Library Services	\$902,366	\$26,196	\$3,950	(\$872,220)
Capital Outlay	49,328	1,432		(47,896)
Debt Service:				
Principal Retirement	95,146	8,930		(86,216)
Interest and Fiscal Charges	1,263	119		(1,144)
<i>Total Governmental Activities</i>	<u>\$1,048,103</u>	<u>\$36,677</u>	<u>\$3,950</u>	<u>(1,007,476)</u>
<b>General Receipts</b>				
Grants and Entitlements not Restricted to Specific Pro				968,643
Unrestricted Gifts and Contributions				5,310
Interest				14,866
Miscellaneous				19,796
<i>Total General Receipts</i>				<u>1,008,615</u>
Change in Net Assets				1,139
<i>Net Assets Beginning of Year</i>				<u>543,913</u>
<i>Net Assets End of Year</i>				<u>\$545,052</u>

See accompanying notes to the basic financial statements

**Garnet A. Wilson Public Library  
Pike County**

*Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005*

	General	Capital Projects	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$217,948	\$4,992	\$222,940
Investments		322,112	322,112
<i>Total Assets</i>	<b>\$217,948</b>	<b>\$327,104</b>	<b>\$545,052</b>
<b>Fund Balances</b>			
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	\$217,948		\$217,948
Capital Project Funds		\$327,104	327,104
<i>Total Fund Balances</i>	<b>\$217,948</b>	<b>\$327,104</b>	<b>\$545,052</b>

See accompanying notes to the basic financial statements

**Garnet A. Wilson Public Library  
Pike County**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005*

	General	Capital Projects	Total Governmental Funds
<b>Receipts</b>			
Intergovernmental	\$968,643		\$968,643
Patron Fines and Fees	30,427		30,427
Contributions, Gifts and Donations	9,260		9,260
Earnings on Investments	14,866		14,866
Miscellaneous	26,046		26,046
<i>Total Receipts</i>	<u>1,049,242</u>	<u>\$0</u>	<u>1,049,242</u>
<b>Disbursements</b>			
General Library Services	902,366		902,366
Capital Outlay	17,102	32,226	49,328
Debt Service:			
Principal	95,146		95,146
Interest	1,263		1,263
<i>Total Disbursements</i>	<u>1,015,877</u>	<u>32,226</u>	<u>1,048,103</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	33,365	(32,226)	1,139
<i>Fund Balances Beginning of Year</i>	<u>184,583</u>	<u>359,330</u>	<u>543,913</u>
<i>Fund Balances End of Year</i>	<u><u>\$217,948</u></u>	<u><u>\$327,104</u></u>	<u><u>\$545,052</u></u>

See accompanying notes to the basic financial statements

**Garnet A. Wilson Public Library  
Pike County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$983,320	\$983,320	\$968,643	(\$14,677)
Patron Fines and Fees	40,000	40,000	30,427	(9,573)
Contributions, Gifts and Donations	40,000	40,000	9,260	(30,740)
Earnings on Investments	10,000	10,000	14,866	4,866
Miscellaneous	25,000	25,000	26,046	1,046
<i>Total Receipts</i>	<u>1,098,320</u>	<u>1,098,320</u>	<u>1,049,242</u>	<u>(49,078)</u>
<b>Disbursements</b>				
General Library Services	1,001,320	1,001,320	902,366	98,954
Capital Outlay	7,000	7,000	17,102	(10,102)
Debt Service:				
Redemption of Principal	75,000	75,000	95,146	(20,146)
Interest and Other Fiscal Charges	15,000	15,000	1,263	13,737
<i>Total Disbursements</i>	<u>1,098,320</u>	<u>1,098,320</u>	<u>1,015,877</u>	<u>82,443</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	0	0	33,365	33,365
<i>Fund Balance Beginning of Year</i>	<u>184,583</u>	<u>184,583</u>	<u>184,583</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$184,583</u></u>	<u><u>\$184,583</u></u>	<u><u>\$217,948</u></u>	<u><u>\$33,365</u></u>

See accompanying notes to the basic financial statements

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**GARNET A. WILSON PUBLIC LIBRARY  
PIKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The constitution and laws of the State of Ohio establish the rights and privileges of the Garnet A. Wilson Public Library, Pike County (the Library), as a body corporate and politic. The Library is directed by a seven-member Board of Trustees. The County Commissioners appoint four members and the County Common Pleas Judge appoints three members. 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.

**Reporting Entity**

The Library utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

A reporting entity is comprised of the primary government, component units, and other organizations included to ensure that the basic financial statements of the Library are not misleading. The primary government consists of all funds of the Library.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that are fiscally dependent on the Library in that the Library approves their budget, the issuance of debt or the levying of their taxes. The Library has no component units.

**Fund Accounting**

The Library's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Library functions or activities. The operation of each fund is accounted for within a separate set of self-balancing set of accounts.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following are the Library's major governmental funds:

*General Fund*

The General Fund is the general operating fund of the Library and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Capital Projects Fund*

The Capital Projects Fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

**GARNET A. WILSON PUBLIC LIBRARY  
PIKE COUNTY**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation**

The Library first implemented the provisions of GASB 34 for financial reporting on a modified cash basis for 2004, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The Library's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include all financial activities of the Library.

The statement of net assets-modified cash basis presents the modified cash basis financial condition of governmental activities of the Library at year-end. The statement of activities-modified cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the Library's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges for services and grants and contributions that are restricted to meeting the operational requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the Library. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the Library.

**Fund Financial Statements**

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Basis of Accounting**

The Library prepares its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting 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 disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**GARNET A. WILSON PUBLIC LIBRARY  
PIKE COUNTY**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash Receipts – Exchange and Non-exchange Transactions**

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified cash basis when the exchange takes place. On a modified cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the Library receives value without directly giving equal value in return, include grants, entitlements and donations. On a modified cash basis, receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

**Cash Disbursements**

On the modified cash basis of accounting, disbursements are recognized at the time payments are made.

**Budgetary Process**

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

**Cash and Cash Equivalents and Investments**

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values the certificate of deposit at cost. Money market mutual funds (including STAROhio) are recorded at share values the mutual fund reports.

**Capital Assets and Depreciation**

Capital assets (fixed assets) acquired or constructed for the Library are recorded as disbursements at the time of acquisition. However, under the modified cash basis of accounting, capital assets and the related depreciation are not reported separately on the financial statements.

**Compensated Absences**

Vacation and sick leave benefits are not accrued under the modified cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

**Long-Term Obligations**

In general, notes are recorded as cash disbursements in the basic financial statements when paid.

**Net Cash Assets**

Net cash assets represent the difference between assets and liabilities. Net cash assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants. The Library applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**GARNET A. WILSON PUBLIC LIBRARY  
PIKE COUNTY**

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active 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 that the Board has identified as not required for use within the current five 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 held by the Library can 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAROhio).

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. Investments may only be made through specified dealers and institutions.

**GARNET A. WILSON PUBLIC LIBRARY  
PIKE COUNTY**

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

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

As of December 31, 2006, the Library had \$389,442 invested in STAROhio and as of December 31, 2005, the Library had \$322,112 invested in STAROhio.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year ended December 31, 2006 (budgetary basis) amounted to \$0 for the General Fund, and encumbrances outstanding at year ended December 31, 2005 (budgetary basis) amounted to \$0 for the General Fund. Therefore, there are no differences between the budgetary basis and the modified cash basis for 2006 and 2005.

**NOTE 4 - GRANTS-IN-AID**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

**NOTE 5 - RISK MANAGEMENT**

**Commercial Insurance**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006 and 2005, the Library contracted with several companies for various types of insurance coverage as follows:

**GARNET A. WILSON PUBLIC LIBRARY  
PIKE COUNTY**

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

**NOTE 5 - RISK MANAGEMENT (Continued)**

Company	Type of Coverage	Amount of Coverage
Westfield Insurance Co.	Commercial Property	\$3,177,225
	General Liability	1,000,000
	Umbrella Liability	1,000,000
	Commercial Crime	5,000
	Inland Marine	
	Electronic Data	200,000
	Data Processing	48,000
	Valuable Papers & Records	4,250,000
	Vehicles (4)	1,000,000
	Republic & Franklin	Errors and Omissions
Republic & Franklin	Library Board Members	500,000-1,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**NOTE 6 – DEFINED BENEFIT PENSION PLAN**

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2006 and 2005, the members of all three plans were required to contribute 9.0 and 8.5 percent, respectively, of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 and 2005 were 13.7 and 13.55 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$67,907, \$62,439, and \$60,280 respectively; the full amount has been contributed for 2006, 2005, and 2004.

**GARNET A. WILSON PUBLIC LIBRARY  
PIKE COUNTY**

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

**NOTE 7 – POSTEMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rates were 13.70 and 13.55 percent, respectively, of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care for 2006, up from 4.0 percent for 2005.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 to 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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 increasing health care costs.

**NOTE 8 – JOINTLY GOVERNED ORGANIZATION**

The Southeast Regional Library System (SERLS) is an area library service organization created and governed according to the provisions of Sections 3375.70 through 3375.73, of the Ohio Revised Code. SERLS is a multi-type library consortium serving the Ohio counties of Athens, Belmont, Delaware, Fairfield, Franklin, Gallia, Guernsey, Hocking, Jackson, Jefferson, Lawrence, Licking, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Pickaway, Pike, Ross, Scioto, Vinton, and Washington. SERLS' Board of Trustees consists of appointees from the member Libraries. The Garnet A. Wilson Public Library's control over budgeting and financing of SERLS is limited to its voting authority and its representation on SERLS' Board of Trustees.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

The Library pays an annual fee as well as service fees to the Southeast Regional Library System (SERLS), a jointly governed organization, of which the Library is a member. SERLS provides continuing education, resource sharing and innovative services for which the member libraries are billed each month. The Library paid \$2,730 to SERLS for annual dues and fees for services provided and \$8,893 for insurances provided through SERLS in 2005 and 2006.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Garnet A. Wilson Public Library  
Pike County  
207 North Market Street  
Waverly, Ohio 45690

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Garnet A. Wilson Public Library, Pike County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the basic financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Library's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 27, 2007



**Mary Taylor, CPA**  
Auditor of State

**GARNET A. WILSON PUBLIC LIBRARY**

**PIKE COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 18, 2007**