

**ELLA M. EVERHARD PUBLIC LIBRARY
MEDINA COUNTY**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

Board of Trustees
Ella M. Everhard Public Library
132 Broad Street
Wadsworth, Ohio 44281

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

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

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

BETTY MONTGOMERY
Auditor of State

December 6, 2006

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**ELLA M. EVERHARD PUBLIC LIBRARY, OHIO
 MEDINA COUNTY
 FOR THE YEAR ENDED
 DECEMBER 31, 2005**

TABLE OF CONTENTS

Independent Auditor’s Report 1

Management’s Discussion and Analysis 3

Basic Financial Statements for December 31, 2005:

Government-Wide Financial Statements:

Statement of Net Assets – Cash Basis 9

Statement of Activities – Cash Basis..... 10

Fund Financial Statements:

Statement of Cash Basis Assets and
Fund Balances – Governmental Funds 11

Statement of Cash Receipts, Disbursements, and Changes in Cash Basis
Fund Balances – Governmental Funds 12

Statement of Receipts, Disbursements, and Changes in
Fund Balances – Budget and Actual – Budget Basis – General Fund..... 13

Notes to the Financial Statements 14

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards* 24

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Ella M. Everhard Public Library, Medina County
132 Broad Street
Wadsworth, OH 44281

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statement and notes follow the 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 presents fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with the basis of accounting described in Note 2.

For the year ended December 31, 2005, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2006 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not express an opinion 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 inquires 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.

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

August 8, 2006

Ella M. Everhard Public Library
Medina County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Ella M. Everhard Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2005, within the limitations of the Library's cash basis 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 are as follows:

Net assets of governmental activities decreased \$133,912, or 5.4 percent, a significant change from the prior year. The funds most affected by the decrease in cash and cash equivalents are the Capital Projects Fund and the Library Improvement Bond; which fall within Other Governmental Funds. The Library purchased and received a new Moroney Bookmobile in 2005 from the Capital Projects Fund, replacing an aging 1990 Farber/Venture Bookmobile, and expenses meeting the terms of the Library Improvement Bond are ongoing until all funds are fully expended.

The Library's general receipts are primarily the property taxes and other local taxes. These receipts represent respectively 38 and 51 percent of the total cash received for governmental activities during the year. Property tax and other local tax receipts changed very little compared to 2004 due to stable tax rates and collections.

The Library established a new record for the number of items circulated in a given year. Circulation increased 6.3% with 910,780 items loaned.

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 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.

Ella M. Everhard Public Library
Medina County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than Generally Accepted Accounting Principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 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, within the limitations of 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 activity. Program receipts include patron fines and fees, rental of real property, and donations and contributions restricted to meeting the operational or capital 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 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 is 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 Library's property tax base, the condition of the Library's capital assets, 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 such as the property taxes and other local taxes.

In the Statement of Net Assets and the Statement of Activities the Library reports Governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by the property taxes, other local taxes, and the Library and Local Government Support Fund (LLGSF). 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

Ella M. Everhard Public Library
Medina County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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 reported in one category: Governmental.

Governmental Funds - 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 only major governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2005 on a cash basis. Since the Library did not prepare financial statements in this format in 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 1)
Net Assets

	<u>Governmental Activities 2005</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,365,687
Total Assets	<u>\$2,365,687</u>
Net Assets	
Restricted for:	
Capital Projects	\$897,806
Unrestricted	<u>1,467,881</u>
Total Net Assets	<u>\$2,365,687</u>

Ella M. Everhard Public Library
Medina County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 reflects the changes in net assets in 2005. Since the Library did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$63,695
Operating Grants and Contributions	6,302
Total Program Receipts	69,997
General Receipts:	
Property Taxes Levied for General Purposes	882,158
Other Local Taxes	1,170,675
Intergovernmental	138,516
Unrestricted Gifts and Contributions	1,287
Interest	52,207
Miscellaneous	789
Total General Receipts	2,245,632
Total Receipts	2,315,629
Disbursements:	
Library Services:	
Public Service and Programming	813,659
Collection Development and Processing	477,724
Support Services:	
Facilities Operation and Maintenance	205,211
Information Services	175,718
Business Administration	581,102
Capital Outlay	196,127
Total Disbursements	2,449,541
(Decrease) in Net Assets	(133,912)
Net Assets, January 1, 2005	2,499,599
Net Assets, December 31, 2005	\$2,365,687

Ella M. Everhard Public Library
 Medina County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2005
 Unaudited

Program receipts represent only 3 percent of total receipts and are primarily comprised of patron fines and fees, rental of real property, and restricted contributions and donations.

General receipts represent 97 percent of the Library's total receipts, and of this amount 38.1 percent are property taxes levied for general purposes. Other local taxes make up another 50.6 percent of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for public service and programs, collection development and processing, facilities operation and maintenance, and business administration represent the costs of operating the Library.

Governmental Activities

If you look at the Statement of Activities on page 10, 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 major disbursements for governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, and Business Administration, which account for 33.2 percent, 19.5 percent, 8.4 percent, 7.2 percent, 23.7 percent, and 8 percent of all library disbursements, respectively. The next two columns of the statement entitled Program Cash 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) Receipts 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 local taxpayers. 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)
Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
Library Services:		
Public Service and Programs	\$813,659	\$744,764
Collection Development and Processing	477,724	476,622
Support Services:		
Facilities Operation and Maintenance	205,211	205,211
Information Services	175,718	175,718
Business Administration	581,102	581,102
Capital Outlay	196,127	196,127
Total Expenses	<u>\$2,449,541</u>	<u>\$2,379,544</u>

Ella M. Everhard Public Library
Medina County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Library's Funds

Total governmental funds had receipts of \$2,315,629 and disbursements of \$2,449,541. Yet, the fund balance of the General Fund increased \$120,188 as the result of prudent business management.

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.

Final budgeted receipts were below original budgeted receipts; however, the difference between final budgeted receipts and actual receipts was not significant.

During fiscal year 2005, the Library amended its General Fund appropriations several times to reflect changing circumstances; none significant. Final disbursements were budgeted at \$2,417,816 while actual disbursements were \$2,249,868. Maintaining actual expenditures below projected levels allowed the Library to experience a net increase of \$44,705 to the General Fund.

Debt Administration

As of December 31, 2005, the Library carried no outstanding debt on its financial statements. Being a School District Library, all debt obligations are reflected on the financial statements of the Wadsworth City School District.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. As stated earlier, we rely heavily on local taxes and LLGSF funding. LLGSF funding has been reduced at the State level by 10.3 percent since 2001 and remains frozen at 2004 levels through the end of this Budget Biennium (June 2007). The Ohio General Assembly formed a legislative Task Force to review and reconsider the funding sources for the LLGSF and the other two local government funds recipients. The Task Force, comprised of five members of the House, five members of the Senate, and one non-voting member from each of the five associations that represent the three local government funds, will study potential sources of state funding for the local government funds; allowing for growth and stability in funding levels. Recommendations for sources of funding, along with suggested legislation to implement the recommendations, shall be submitted to the Governor and the General Assembly no later than December 1, 2006. Also, the 2005-2007 Budget Bill eliminated the Tangible Personal Property Tax; with a four-year phase-out period beginning July 2005. The State provided funds to hold harmless local governments and public libraries from the impact of this change on local levies through 2018. The millage will be held 100 percent harmless until 2010 and then continue on a reduced formula through 2018.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Debi Woodruff, Business Manager, Ella M. Everhard Public Library, 132 Broad Street., Wadsworth, Ohio 44281.

Ella M. Everhard Public Library, Medina County
Statement of Net Assets - Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,365,687</u>
<i>Total Assets</i>	<u><u>\$2,365,687</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$897,806
Unrestricted	<u>1,467,881</u>
<i>Total Net Assets</i>	<u><u>\$2,365,687</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Ella M. Everhard Public Library, Medina County
 Statement of Activities - Cash Basis
 For the Year Ended December 31, 2005

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants & Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$813,659	\$63,695	\$5,200	(\$744,764)
Collection Development and Processing	477,724	0	1,102	(476,622)
Support Services:				
Facilities Operation and Maintenance	205,211	0	0	(205,211)
Information Services	175,718	0	0	(175,718)
Business Administration	581,102	0	0	(581,102)
Capital Outlay	196,127	0	0	(196,127)
<i>Total Governmental Activities</i>	<u>\$2,449,541</u>	<u>\$63,695</u>	<u>\$6,302</u>	(2,379,544)

General Receipts

Property Taxes Levied for General Purposes	882,158
Other Local Taxes	1,170,675
Intergovernmental	138,516
Unrestricted Gifts and Contributions	1,287
Interest	52,207
Miscellaneous	789
<i>Total General Receipts</i>	<u>2,245,632</u>
Change in Net Assets	(133,912)
<i>Net Assets Beginning of Year</i>	<u>2,499,599</u>
<i>Net Assets End of Year</i>	<u>\$2,365,687</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Ella M. Everhard Public Library, Medina County

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,378,947	\$986,740	\$2,365,687
Total Assets	\$1,378,947	\$986,740	\$2,365,687
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$75,483	\$37,824	\$113,307
Reserved for Capital Improvements	0	3,507	3,507
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	1,303,464	0	1,303,464
Special Revenue Funds	0	85,434	85,434
Capital Projects Funds	0	859,975	859,975
Total Fund Balances	\$1,378,947	\$986,740	\$2,365,687

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Ella M. Everhard Public Library, Medina County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Receipts			
Property Taxes	\$882,158	\$0	\$882,158
Other Local Taxes	1,170,675	0	1,170,675
Intergovernmental	138,516	0	138,516
Patron Fines and Fees	60,609	0	60,609
Contributions, Gifts and Donations	7,589	0	7,589
Earnings on Investments	31,151	21,056	52,207
Miscellaneous	3,875	0	3,875
	<u> </u>	<u> </u>	<u> </u>
<i>Total Receipts</i>	2,294,573	21,056	2,315,629
Disbursements			
Current:			
Library Services:			
Public Service and Programs	813,659	0	813,659
Collection Development and Processing	416,224	61,500	477,724
Support Services:			
Facilities Operation and Maintenance	199,161	6,050	205,211
Information Services	175,718	0	175,718
Business Administration	560,999	20,103	581,102
Capital Outlay	8,624	187,503	196,127
	<u> </u>	<u> </u>	<u> </u>
<i>Total Disbursements</i>	2,174,385	275,156	2,449,541
<i>Net Change in Fund Balances</i>	120,188	(254,100)	(133,912)
<i>Fund Balances Beginning of Year</i>	1,258,759	1,240,840	2,499,599
	<u> </u>	<u> </u>	<u> </u>
<i>Fund Balances End of Year</i>	<u>\$1,378,947</u>	<u>\$986,740</u>	<u>\$2,365,687</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Ella M. Everhard Public Library, Medina County
Statement of Receipts, Disbursements and Changes in Fund Balances -
Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2005

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Receipts</u>				
Property Taxes	\$968,700	\$968,700	\$882,158	(\$86,542)
Other Local Taxes	1,154,334	1,154,334	1,170,675	16,341
Intergovernmental	135,113	135,113	138,516	3,403
Patron Fines and Fees	47,025	47,025	60,609	13,584
Contributions, Gifts and Donations	1,000	1,000	7,589	6,589
Earnings on Investments	19,300	19,300	31,151	11,851
Miscellaneous	675	675	3,875	3,200
<i>Total Receipts</i>	<u>2,326,147</u>	<u>2,326,147</u>	<u>2,294,573</u>	<u>(31,574)</u>
<u>Disbursements</u>				
<i>Current:</i>				
<i>Library Services:</i>				
Public Service and Programs	866,624	873,366	822,104	51,262
Collection Development and Processing	460,879	463,524	460,517	3,007
<i>Support Services:</i>				
Facilities Operation and Maintenance	241,823	240,636	207,644	32,992
Information Services	202,791	212,556	178,031	34,525
Business Administration	629,198	611,234	569,135	42,099
Capital Outlay	16,500	16,500	12,437	4,063
<i>Total Disbursements</i>	<u>2,417,815</u>	<u>2,417,816</u>	<u>2,249,868</u>	<u>167,948</u>
<i>Net Change in Fund Balance</i>	(91,668)	(91,668)	44,705	136,374
<i>Fund Balance Beginning of Year</i>	1,204,208	1,204,208	1,204,208	0
<i>Prior Year Encumbrances Appropriated</i>	<u>54,551</u>	<u>54,551</u>	<u>54,551</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,167,091</u>	<u>\$1,167,091</u>	<u>\$1,303,464</u>	<u>\$136,374</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Ella M. Everhard Public Library
Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 1 – Description of the Library and Reporting Entity

The Ella M. Everhard Public Library was organized as a school district public library in 1925 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Wadsworth City School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Business Manager.

The Library is fiscally independent of the Wadsworth City School District Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of the Wadsworth City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization’s governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization’s resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Library’s management believes these financial statements present all activities for which the Library is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Ella M. Everhard Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally Accepted Accounting Principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library’s accounting policies are described below.

Ella M. Everhard Public Library
Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which 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 the financial activities of the Library. Governmental activities generally are financed through taxes and other nonexchange transactions.

The Statement of Net Assets presents the cash balance of the governmental activities of the Library at December 31, 2005. The Statement of Activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program Receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which the governmental function is self-financing on a cash basis or draws from the Library's general receipts.

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 governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library's funds are all classified as governmental.

Governmental Funds

Governmental funds are financed primarily from taxes and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The General Fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose

Ella M. Everhard Public Library
Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 - Summary of Significant Accounting Policies (continued)

provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Library account for other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain 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.

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Board of Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Business Manager. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Ella M. Everhard Public Library
Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 - Summary of Significant Accounting Policies (continued)

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, investments are limited to STAR Ohio.

The Library's savings accounts are recorded at amounts reported by Huntington National Bank.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2005 amounted to \$31,151.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the amount of \$3,507 represent investments restricted for Capital Improvements.

G. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when

Ella M. Everhard Public Library
Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 - Summary of Significant Accounting Policies (continued)

they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets totaling \$897,806 in the Capital Projects Fund are restricted.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and capital improvements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – 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 – Budgetary 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 cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$75,483 for the General Fund.

Ella M. Everhard Public Library
Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 5 - 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. 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;
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. Investments may only be made through specified dealers and institutions.

Ella M. Everhard Public Library
 Medina County
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2005

Note 5 - Deposits and Investments (continued)

At year end, the Library had \$350 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, \$1,700,000 of the Library’s bank balance of \$1,958,936 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Library’s name.

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.

Investments

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

	Fair Value	Maturity (Years) Less Than 1
STAR Ohio	\$445,830	\$ 445,830
Total Investments	\$445,830	\$ 445,830

STAR Ohio carries a rating of AAAM by Standard and Poor’s. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 6 - Property Tax Receipts

Property taxes include amounts levied against all real, public utility and tangible personal property located in Wadsworth Local School District. Property tax receipts during 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

Ella M. Everhard Public Library
 Medina County
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2005

Note 6 - Property Tax Receipts *(continued)*

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventories.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2005, was \$1.75 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Residential/Agriculture	\$450,298,660
Commercial/Industrial/Mineral	\$89,003,210
Public Utility Property	\$10,730
Tangible Personal Property	\$66,973,694
Total Assessed Value	\$606,286,294

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes for the library.

Note 7 - Risk Management

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 2005, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
Westfield Companies	Commercial Property	\$6,529,822
	General Liability	\$1,000,000
	Automobile Liability	
	Insurance	\$1,000,000
	Umbrella Insurance	
	Coverage	\$1,000,000
Utica National Insurance Group	Errors and Omissions	\$1,000,000
	Library Officials	\$150,000

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.

Ella M. Everhard Public Library
Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 7 - Risk Management *(continued)*

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 8 - 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 year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 9.55 percent. 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, 2005, 2004, and 2003 were \$171,916, \$174,871, and \$139,271 respectively; the full amount has been contributed for 2005, 2004, and 2003.

Note 9 – Post-Employment 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 Post-Employment 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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' 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

Ella M. Everhard Public Library
Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 9 – Post-Employment Benefits *(continued)*

total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 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.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005, which were used to fund post-employment benefits, were \$46,498. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 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 10 – Debt

The Wadsworth City School District serves as the taxing authority in a ministerial function, and can issue tax related debt on behalf of the Library. The determination to request approval of a tax levy, the rate and the purpose are discretionary decisions made solely by the Library Board of Trustees.

In 2000 the Library Board approved for the Wadsworth City School District to place on the ballot, Library Improvement Bonds in the amount of \$5,600,000 for the enlarging, renovating, remodeling, rehabilitating, furnishing, and equipping the current Library. As of December 31, 2005 principal outstanding was \$4,604,994.

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

Board of Trustees
Ella M. Everhard Public Library, Medina County
132 Broad Street
Wadsworth, OH 44281

We have audited the August 8, 2006 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ella M. Everhard Public Library, Medina County, Ohio, (the Library), as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 8, 2006, where we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. 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 statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

This report is intended solely for the information and use of the audit committee, management and Board of Trustees, and is not intended to be and should not be used by anyone other than those specified parties.

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

August 8, 2006



**Auditor of State
Betty Montgomery**

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ELLA M. EVERHARD PUBLIC LIBRARY

MEDINA 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 19, 2006**