

WAYNE COUNTY PUBLIC LIBRARY

Wayne County, Ohio

Regular Audit

January 1, 2007 through December 31, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAs, INC.

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Mary Taylor, CPA

Auditor of State

Board of Trustees
Wayne County Public Library
220 West Liberty Street
Wooster, Ohio 44691

We have reviewed the *Independent Auditor's Report* of the Wayne County Public Library, Wayne County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 10, 2008

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Wayne County Public Library
Wayne County, Ohio

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For the Year Ended December 31, 2007

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Wayne County Public Library
220 West Liberty Street
Wooster, Ohio 44691

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities of Wayne County Public Library, Wayne County, Ohio (the Library), as of and for the year ended December 31, 2007, 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.

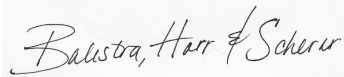
We conduct our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform 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 of Wayne County Public Library, Wayne County, Ohio, as of December 31, 2007, and the respective changes in modified cash financial position and the respective budgetary comparison for the General fund thereof for the year ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2008, 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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

July 31, 2008

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

As the management of the Wayne County Public Library, we offer readers of the Library's financial statements this narrative overview and analysis of the Library's financial activities for the fiscal year ended December 31, 2007.

FINANCIAL HIGHLIGHTS

- The Library's total net assets decreased \$6,271,548, or 58% with the completion of a new Wooster main library building. The ribbon cutting for the building was June 23, 2007.
- As of the close of the most recent fiscal year, the fund balance in the Library's general fund was 1.51 million, a decrease of \$378,113, or 20%, from the previous year.
- The Wayne County Public Library Board of Trustees set a financial goal in 2002 to maintain a minimum general fund balance of 75 to 90 days available fund balance to meet commitments. At December 31, 2007 the available fund balance was equal to 94 days, down from 124 days as of the close of the previous fiscal year.
- The Library was able set aside \$575,000 for technology, construction, and vehicle replacement. This amount was transferred to the appropriate funds during fiscal year 2007.
- During 2007 the library board continued working on plans for the next phases of the capital projects: Renovation of the old main library to an operations center and construction of a new branch in Doylestown.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

Fund Financial Statements

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

The Library maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Liberty Street Library Fund, and the Doylestown Branch Fund. These three funds are the Library's only major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. The Library's Fund financial statements begin on page 11.

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

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 15 of this report.

THE LIBRARY AS A WHOLE

Table 1 provides a summary of the Library's net assets for 2007 compared to 2006 on the modified cash basis:

TABLE 1

Net Assets

| | <u>2007</u> | <u>2006</u> |
|------------------|---------------------|----------------------|
| Assets | | |
| Current Assets | \$ 4,494,707 | \$ 10,766,255 |
| Total Assets | <u>\$ 4,494,707</u> | <u>\$ 10,766,255</u> |
| Net Assets | | |
| Restricted | \$ 2,780,760 | \$ 8,877,293 |
| Unrestricted | 1,713,947 | 1,888,962 |
| Total Net Assets | <u>\$ 4,494,707</u> | <u>10,766,255</u> |

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

THE LIBRARY AS A WHOLE (continued)

Table 2 shows the changes in net assets for the fiscal year ended December 31, 2007.

TABLE 2

Changes in Net Assets

| | <u>2007</u> | <u>2006</u> |
|---------------------------------------|----------------|--------------|
| Revenues: | | |
| Program Revenues | | |
| Charges for Services | \$ 185,271 | \$ 196,068 |
| Capital Grants and Contributions | 579,524 | 1,903,332 |
| Operating Grants and Contributions | 1,000 | 6,093 |
| Total Program Revenues | 765,795 | 2,105,493 |
| General Revenues | | |
| Taxes | 1,899,270 | 1,871,737 |
| Grants and Entitlements | 3,897,129 | 3,745,941 |
| Bonds and Notes | - | 12,000,000 |
| Other Revenue | 433,366 | 563,944 |
| Total General Revenue | 6,229,765 | 18,181,622 |
| Total Revenues | 6,995,560 | 20,287,115 |
| Expenses: | | |
| Program Expenses | | |
| Public Service and Programs | 2,488,020 | 2,292,080 |
| Collection Development and Processing | 1,254,540 | 1,139,451 |
| Facilities Operation and Maintenance | 1,252,036 | 1,383,919 |
| Information Services | 327,828 | 250,205 |
| Business Administration | 758,238 | 568,590 |
| Capital Outlay | 6,725,940 | 3,770,274 |
| Debt Service: | | |
| Principal Retirement | 210,000 | 6,100,000 |
| Interest | 250,506 | 235,511 |
| Total Expenses | 13,267,108 | 15,740,030 |
| Changes in Net Assets | \$ (6,271,548) | \$ 4,547,085 |

General revenues comprise 89% of the Library's revenues with property taxes and unrestricted state entitlements being the primary contributors. Public service and programs, Collection development and processing and facilities maintenance and operations are the major activities of the Library, accounting for 19%, 9% and 9% of total expenses, respectively. Capital outlay accounted for 51% of total expenditures as the construction on the new main library was completed in 2007. Principal retirement and interest on the bonds accounted for 4% of the total expenses for 2007

The decrease in the Library's net assets during the fiscal year is attributed to the Library's completion of construction of a new main library in Wooster.

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Total versus Net Cost of Services

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

TABLE 3

| | <u>2007</u> | | <u>2006</u> | |
|---------------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Program Expenses | | | | |
| Library Services: | | | | |
| Public Service and Programs | \$ 2,488,020 | \$ 2,301,749 | \$ 2,292,080 | \$ 2,092,944 |
| Collection Development and Processing | 1,254,540 | 1,254,540 | 1,139,451 | 1,136,426 |
| Support Services | | | | |
| Facilities and Operation Maintenance | 1,252,036 | 1,252,036 | 1,383,919 | (519,413) |
| Information Services | 327,828 | 327,828 | 250,205 | 250,205 |
| Business Administration | 758,238 | 758,238 | 568,590 | 568,590 |
| Capital Outlay | 6,725,940 | 6,146,416 | 3,770,274 | 3,770,274 |
| Debt Service | | | | |
| Principal Retirement | 210,000 | 210,000 | 6,100,000 | 6,100,000 |
| Interest | 250,506 | 250,506 | 235,511 | 235,511 |
| Total Expense | <u>\$ 13,267,108</u> | <u>\$ 12,501,313</u> | <u>\$ 15,740,030</u> | <u>\$ 13,634,537</u> |

The library's reliance on general revenues is indicated by the net cost of services column reflecting the need for \$12.5 million of support as well as Table 2 on the preceding page demonstrating that general revenues comprise 89% of the Library's total revenues.

THE LIBRARY'S FUNDS

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

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$4.49 million, a decrease of \$6,271,548 in comparison with the prior year. Approximately 88% of this amount (\$3.94 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$526,450) or for a variety of other restricted purposes (\$24,200)

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2007 and 2006.

| | <u>Fund Balance December 31, 2007</u> | <u>Fund Balance December 31, 2006</u> | <u>Increase (Decrease)</u> |
|------------------------|---|---|--------------------------------|
| General | \$ 1,510,862 | \$ 1,888,974 | \$ (378,112) |
| Liberty Street Library | 313,925 | 6,248,211 | (5,934,286) |
| Doylestown Branch | 1,054,962 | 1,022,506 | 32,456 |
| Other Governmental | 1,614,958 | 1,606,564 | 8,394 |
| Total | <u>\$ 4,494,707</u> | <u>\$ 10,766,255</u> | <u>\$ (6,271,548)</u> |

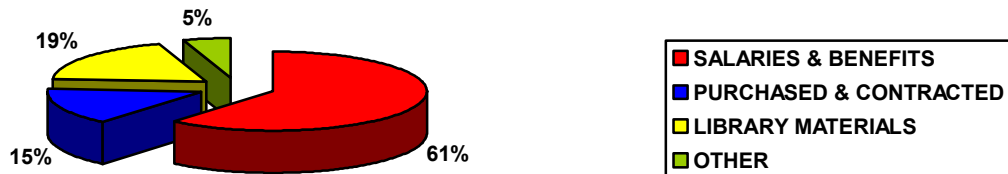
The general fund is the chief operating fund of the Library. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1.26 million, while total fund balance reached \$1.51 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 24% of total general fund expenditures, while total fund balance represents 28% of that same amount.

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

General Fund Revenue Comparative Analysis

| <u>Revenues</u> | <u>2007 Amount</u> | <u>2006 Amount</u> | <u>Percentage Change</u> |
|-------------------|------------------------|------------------------|------------------------------|
| General Taxes | \$1,484,154 | \$1,444,212 | 2.77% |
| Intergovernmental | 3,736,758 | 3,744,546 | -0.21% |
| Other | 300,077 | 314,757 | -4.66% |
| Total | <u>\$5,520,989</u> | <u>\$5,503,515</u> | 0.32% |

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



| Expenditures by Object: | <u>2007 Amount</u> | <u>2006 Amount</u> | <u>Change</u> | <u>Percent Change</u> |
|--------------------------------|------------------------|------------------------|-------------------|---------------------------|
| Salaries & Benefits | \$ 3,248,126 | \$ 3,032,723 | \$ 215,403 | 7.10% |
| Purchased Services | 809,307 | 647,393 | 161,914 | 25.01% |
| Library Materials | 993,056 | 847,037 | 146,019 | 17.24% |
| Other | 273,613 | 314,508 | (40,895) | -13.00% |
| Total | <u>\$ 5,324,102</u> | <u>\$ 4,841,661</u> | <u>\$ 482,441</u> | 9.96% |

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

GENERAL FUND BUDGET INFORMATION

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

The Library's final general fund actual revenues were less than estimated revenue by \$318,279, or 5%, and the final amended appropriation measure exceeded actual budgetary expenditures by \$686,960, or 11%.

DEBT

November 8, 2005 the voters of Wayne County approved the issuance of bonds for the purpose of constructing, furnishing, equipping and otherwise improving new library facilities and improving their sites. The \$6,000,000 Library Improvement Bonds were sold and issued in June 2006. This note was repaid on July 11, 2006 by the proceeds of the bond sale in June of 2006.

RESTRICTIONS AND OTHER LIMITATIONS

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

The State is in the middle of a multi-year phase-in of tax changes for both corporate franchise tax and the personal income tax, therefore any attempt to estimate monthly collections involves aiming at a moving target.

For over a decade, the LLGSF funding formula distributed 5.7% of the State income tax receipts each month (based on the previous month's collection) to each Ohio County to support public libraries. Legislation (HB 119) took effect in January 2008 and changed the LLGSF formula to 2.22% of Ohio total tax receipts.

The cash flow each year from the old LLGSF (5.7% of income tax receipts) is much different than the expected cash flow from the new LLGSF (2.22% of total tax receipts).

In general, the old LLGSF cash flow had more peaks, with February each year having the highest receipts of any month (over 20% of the year's receipts). The new LLGSF cash flow projection is "flatter" – the peak month is in June each year (about 15% of the year's receipts). Comparing month-to-date revenue receipts for old LLGSF years to 2008 new LLGSF cash receipts is difficult and confusing.

Effective in June 2008, SB 185 changed the name of the fund from Local Government and Library Support Fund (LLGSF) to the Public Library Fund (PLF).

House Bill 66, signed by the Governor in June 2005 is phasing out the tangible personal property tax. The tax on general business and railroad property will be eliminated by 2009 and the tax on telecommunications will be eliminated by 2011. Local governments, including WCPL, will have the lost revenue fully reimbursed for the first five years and the reimbursements will be phased out over the next seven years.

CONTACTING THE LIBRARY

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

Wayne County Public Library
Statement of Net Assets - Modified Cash Basis
December 31, 2007

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$ 2,246,960 |
| Investments | 2,247,747 |
| <i>Total Assets</i> | \$ 4,494,707 |
| Net Assets | |
| Restricted for: | |
| Permanent Fund | \$ 24,200 |
| Expendable Trust | 87,111 |
| Capital Projects | 2,591,408 |
| Debt Service | 78,041 |
| Unrestricted | 1,713,947 |
| <i>Total Net Assets</i> | \$ 4,494,707 |

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2007

| | Cash Disbursements | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Assets |
|---------------------------------------|-----------------------|--------------------------------------|--|-------------------------------------|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| Library Services: | | | | | |
| Public Service and Programs | \$ 2,488,020 | \$ 185,271 | \$ 1,000 | \$ - | \$ (2,301,749) |
| Collection Development and Processing | 1,254,540 | - | - | - | (1,254,540) |
| Support Services: | | | | | |
| Facilities Operation and Maintenance | 1,252,036 | - | - | - | (1,252,036) |
| Information Services | 327,828 | - | - | - | (327,828) |
| Business Administration | 758,238 | - | - | - | (758,238) |
| Capital Outlay | 6,725,940 | - | - | 579,524 | (6,146,416) |
| Debt Service: | | | | | |
| Principal Retirement | 210,000 | - | - | - | (210,000) |
| Interest | 250,506 | - | - | - | (250,506) |
| <i>Total Governmental Activities</i> | <u>\$ 13,267,108</u> | <u>\$ 185,271</u> | <u>\$ 1,000</u> | <u>\$ 579,524</u> | <u>(12,501,313)</u> |
| | | General Receipts | | | |
| | | | | | 1,484,154 |
| | | | | | 415,116 |
| | | | | | 115,574 |
| | | | | | 3,781,555 |
| | | | | | 390,125 |
| | | | | | 43,241 |
| | | | | | <u>6,229,765</u> |
| | | | | | Change in Net Assets (6,271,548) |
| | | | | | <i>Net Assets Beginning of Year</i> <u>10,766,255</u> |
| | | | | | <i>Net Assets End of Year</i> <u>\$ 4,494,707</u> |

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Modified Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2007

| | General | Liberty Street Library | Doylestown Branch | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------|----------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 498,609 | \$ 186,796 | \$ 340,606 | \$ 1,220,949 | \$ 2,246,960 |
| Investments | 1,012,253 | 127,129 | 714,356 | 394,009 | 2,247,747 |
| <i>Total Assets</i> | <u>\$ 1,510,862</u> | <u>\$ 313,925</u> | <u>\$ 1,054,962</u> | <u>\$ 1,614,958</u> | <u>\$ 4,494,707</u> |
| Fund Balances | | | | | |
| Reserved: | | | | | |
| Reserved for Encumbrances | \$ 250,731 | \$ 62,746 | \$ 4,823 | \$ 208,149 | \$ 526,449 |
| Endowments | - | - | - | 24,200 | 24,200 |
| Unreserved: | | | | | |
| Undesignated (Deficit), Reported in: | | | | | |
| General Fund | 1,260,131 | - | - | - | 1,260,131 |
| Special Revenue Funds | - | - | - | - | - |
| Debt Service Fund | - | - | - | 78,041 | 78,041 |
| Capital Projects Funds | - | 251,179 | 1,050,139 | 1,290,090 | 2,591,408 |
| Permanent Funds | - | - | - | 14,478 | 14,478 |
| <i>Total Fund Balances</i> | <u>\$ 1,510,862</u> | <u>\$ 313,925</u> | <u>\$ 1,054,962</u> | <u>\$ 1,614,958</u> | <u>\$ 4,494,707</u> |

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

| | General | Liberty Street Library | Doylestown Branch | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------|----------------------|--------------------------------|--------------------------------|
| Receipts | | | | | |
| Property and Other Local Taxes | \$ 1,484,154 | \$ - | \$ - | \$ 415,116 | \$ 1,899,270 |
| Intergovernmental | 3,736,758 | - | - | 44,797 | 3,781,555 |
| Patron Fines and Fees | 185,271 | - | - | - | 185,271 |
| Contributions, Gifts and Donations | 1,000 | 576,903 | 2,613 | 115,582 | 696,098 |
| Earnings on Investments | 89,674 | 179,103 | 43,739 | 77,609 | 390,125 |
| Miscellaneous | 24,132 | 5,204 | 1,457 | 12,448 | 43,241 |
| <i>Total Receipts</i> | <u>5,520,989</u> | <u>761,210</u> | <u>47,809</u> | <u>665,552</u> | <u>6,995,560</u> |
| Disbursements | | | | | |
| Library Services: | | | | | |
| Public Service and Programs | 2,484,462 | - | - | 3,558 | 2,488,020 |
| Collection Development and Processing | 1,234,243 | - | - | 20,297 | 1,254,540 |
| Support Services: | | | | | |
| Facilities Operation and Maintenance | 481,750 | 636,512 | 10,959 | 122,815 | 1,252,036 |
| Information Services | 327,828 | - | - | - | 327,828 |
| Business Administration | 758,238 | - | - | - | 758,238 |
| Capital Outlay | 37,581 | 5,978,090 | 204,394 | 505,875 | 6,725,940 |
| Debt Service: | | | | | |
| Principal Retirement | - | - | - | 210,000 | 210,000 |
| Interest | - | - | - | 250,506 | 250,506 |
| <i>Total Disbursements</i> | <u>5,324,102</u> | <u>6,614,602</u> | <u>215,353</u> | <u>1,113,051</u> | <u>13,267,108</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 196,887 | (5,853,392) | (167,544) | (447,499) | (6,271,548) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | - | 200,000 | 200,000 | 748,894 | 1,148,894 |
| Transfers Out | (575,000) | (280,894) | - | (293,000) | (1,148,894) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(575,000)</u> | <u>(80,894)</u> | <u>200,000</u> | <u>455,894</u> | <u>-</u> |
| <i>Net Change in Fund Balances</i> | (378,113) | (5,934,286) | 32,456 | 8,395 | (6,271,548) |
| <i>Fund Balances Beginning of Year</i> | <u>1,888,975</u> | <u>6,248,211</u> | <u>1,022,506</u> | <u>1,606,563</u> | <u>10,766,255</u> |
| <i>Fund Balances End of Year</i> | <u>\$ 1,510,862</u> | <u>\$ 313,925</u> | <u>\$ 1,054,962</u> | <u>\$ 1,614,958</u> | <u>\$ 4,494,707</u> |

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$ 1,520,100 | \$ 1,520,100 | \$ 1,484,154 | \$ (35,946) |
| Intergovernmental | 3,999,253 | 3,999,253 | 3,736,758 | (262,495) |
| Patron Fines and Fees | 215,755 | 215,755 | 185,271 | (30,484) |
| Contributions, Gifts and Donations | - | - | 1,000 | 1,000 |
| Earnings on Investments | 95,625 | 95,625 | 89,674 | (5,951) |
| Miscellaneous | 8,535 | 8,535 | 24,132 | 15,597 |
| <i>Total Receipts</i> | <u>5,839,268</u> | <u>5,839,268</u> | <u>5,520,989</u> | <u>(318,279)</u> |
| Disbursements | | | | |
| Library Services: | | | | |
| Public Service and Programs | 2,576,360 | 2,597,411 | 2,569,027 | 28,384 |
| Collection Development and Processing | 1,563,991 | 1,526,290 | 1,311,476 | 214,814 |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 568,392 | 543,028 | 484,705 | 58,323 |
| Information Services | 359,381 | 368,257 | 333,363 | 34,894 |
| Business Administration | 729,193 | 891,060 | 813,759 | 77,301 |
| Capital Outlay | 59,900 | 85,016 | 62,503 | 22,513 |
| <i>Total Disbursements</i> | <u>5,857,217</u> | <u>6,011,062</u> | <u>5,574,833</u> | <u>436,229</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(17,949)</u> | <u>(171,794)</u> | <u>(53,844)</u> | <u>117,950</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (575,000) | (575,000) | (575,000) | - |
| <i>Total Other Financing Sources (Uses)</i> | <u>(575,000)</u> | <u>(575,000)</u> | <u>(575,000)</u> | <u>-</u> |
| <i>Net Change in Fund Balance</i> | (592,949) | (746,794) | (628,844) | 117,950 |
| <i>Unencumbered Fund Balance Beginning of Year</i> | 1,519,178 | 1,519,178 | 1,519,178 | - |
| <i>Prior Year Encumbrances Appropriated</i> | <u>369,798</u> | <u>369,798</u> | <u>369,798</u> | <u>-</u> |
| <i>Unencumbered Fund Balance End of Year</i> | <u>\$ 1,296,027</u> | <u>\$ 1,142,182</u> | <u>\$ 1,260,132</u> | <u>\$ 117,950</u> |

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
December 31, 2007

| | <u>Agency Fund</u> |
|--|-------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 15,341</u> |
| <i>Total Assets</i> | <u><u>\$ 15,341</u></u> |
| Liabilities | |
| Undistributed Monies | <u>\$ 15,341</u> |
| <i>Total Liabilities</i> | <u><u>\$ 15,341</u></u> |

See accompanying notes to the basic financial statements.

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Wayne County Public Library was organized as a public library under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed under the laws of the State of Ohio. 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 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 Clerk-Treasurer.

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.

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 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. (Auditor of State Bulletin 2005-001 provides guidance on determining significance.) The Library has no component units.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in note 2.C, the financial statements of the Library have been prepared on a modified 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. The most significant of the Library's accounting principles are described below.

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 primary government. Governmental activities generally are financed through taxes, intergovernmental receipts and other non-exchange transactions.

WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. 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. 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 each 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, intergovernmental receipts (e.g. grants), 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:

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

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

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

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

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Library under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Library's own programs. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The Library has one fiduciary fund: an agency fund used to account for escrow accounts for contractors.

C. Basis of Accounting

The Library's financial statements are prepared using the modified cash basis of accounting. 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 modified 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.

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

D. Budgetary Process

All funds, (except agency funds), are legally required to be appropriated. The appropriations resolution is the 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 level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with 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 Clerk. 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.

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

The adjustment necessary to convert the results of operations for the year ended December 31, 2007, on the modified cash basis are as follows:

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

| | |
|---------------------|---------------------------|
| | <u>General Fund</u> |
| Modified Cash Basis | (\$378,113) |
| Encumbrances | <u>250,731</u> |
| Budget Basis | <u><u>(\$628,844)</u></u> |

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

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."

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.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2007 amount to \$89,674.

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Net Assets/Fund Balance

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, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent capital projects and other purposes.

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 a portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and endowments.

G. Capital Assets

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

3. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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; and
7. The State Treasurer's investment pool (STAR Ohio).

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

3. DEPOSITS AND INVESTMENTS (Continued)

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.

At year end, the Library had \$1,575 in undeposited cash on hand which is included as part of “*Equity in Pooled Cash and Cash Equivalents*” on the financial statements.

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

Deposits - At year-end, the carrying amount of the Library’s deposits was \$1,059,692 and the bank balance was \$1,277,093. Of the bank balance, \$103,012 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

Investments – The Library’s investment policy is limited to complying with state statute. As of December 31, 2007, the Library had the following investments and maturities:

| <u>Investment Type</u> | <u>Cost Basis</u> | <u>6 Months or Less</u> |
|---------------------------------------|-------------------|-----------------------------|
| U.S. Treasury Money Market | \$19,297 | \$19,297 |
| Federal Home Loan Bank | 1,997,747 | 1,997,747 |
| Federal National Mortgage Association | 250,000 | 250,000 |
| Star Ohio | 1,183,312 | 1,183,312 |
| Total | \$3,450,356 | \$3,450,356 |

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

Credit Risk – Standard and Poor’s has assigned an investment rating of AAAM to Star Ohio and AAA to Federal Home Loan Bank and Federal National Mortgage Association. The U.S. Treasury Money Market is not rated. The Library’s investment policy does not limit exposure to credit risk.

Concentration of Credit Risk – The Library’s places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the Library at December 31, 2007:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|---------------------------------------|-------------------|-------------------|
| U.S. Treasury Money Market | \$19,297 | 1% |
| Federal Home Loan Bank | 1,999,057 | 58% |
| Federal National Mortgage Association | 249,533 | 7% |
| Star Ohio | 1,183,312 | 34% |
| Total | \$3,451,199 | 100% |

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as 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.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

5. 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 costs 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, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$343,837, \$324,578, and \$327,795 respectively; the full amount has been contributed for 2007, 2006, and 2005.

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

6. 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 post-retirement 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 2007 employer contribution rate was 13.85 percent of covered payroll; the portion of employer contributions allocated to health care was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 to December 31, 2007.

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, 2006, include a rate of return on investments of 6.50 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 between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 5.00% annually for the next eight years. In subsequent years, (9 and beyond) health care costs were assumed to increase 4.00 percent (the projected wage inflation rate).

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 374,979. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$124,850. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCCPP) with an effective date of January 1, 2007. The HCCP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

7. DEBT

In 2006 the Library issued Library Improvement Bonds in the amount of \$6,000,000 for the construction of a new Library. As of December 31, 2007, principal outstanding was \$5,690,000.

A summary of Bond transactions for the year ended December 31, 2007 follows:

| | Interest Rate | Balance December 31, 2006 | Additions | Reductions | Balance December 31, 2007 | Due Within One Year |
|--|------------------|---------------------------------|-----------|------------|---------------------------------|---------------------------|
| Governmental Activities: | | | | | | |
| Library Improvement Bond 2006 Issue | 4.379% | \$5,900,000 | \$ - | \$210,000 | \$5,690,000 | \$220,000 |

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

7. DEBT (Continued)

The annual requirement to amortize debt outstanding as of December 31, 2007 is as follows:

| 2006 Library Improvement Bonds | | | |
|--------------------------------|-------------|-------------|-------------|
| Year Ending December 31 | Principal | Interest | Total |
| 2008 | \$ 220,000 | \$ 242,106 | \$ 462,106 |
| 2009 | 230,000 | 233,306 | 463,306 |
| 2010 | 240,000 | 224,106 | 464,106 |
| 2011 | 250,000 | 214,506 | 464,506 |
| 2012 | 255,000 | 205,444 | 460,444 |
| 2013-2017 | 1,455,000 | 864,219 | 2,319,219 |
| 2018-2022 | 1,775,000 | 542,344 | 2,317,344 |
| 2023-2025 | 1,265,000 | 121,838 | 1,386,838 |
| Total | \$5,690,000 | \$2,647,869 | \$8,337,869 |

8. LEASE OBLIGATIONS

The Library has entered into the following operating lease agreements:

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

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

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

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

Copier Leases – The Library leases 8 copiers for a total cost of \$11,652 for the year. The lease expires on January 29, 2008.

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

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

9. 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 2007, the Library contracted with several companies for various types of insurance coverage as follows:

| Coverage | Limit |
|----------------------------|--------------|
| Commercial Property: | |
| Building | \$13,364,200 |
| Personal Property | \$1,973,106 |
| Automobile Liability: | |
| Physical Damage | \$50,000 |
| Bodily Injury | \$1,000,000 |
| Public Officials Liability | \$2,000,000 |
| Equipment Breakdown | \$15,023,306 |

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.

10. INTERFUND TRANSFERS

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

Interfund transfers during the fiscal year were as follows:

| Fund | Transfers In | Transfers Out |
|--------------------------|--------------|---------------|
| General Fund | \$ - | \$ 575,000 |
| Liberty Street Library | 200,000 | 280,894 |
| Doylestown Branch | 200,000 | - |
| Other Governmental Funds | 748,894 | 293,000 |

11. CONTRACTAL COMMITMENTS

During FY 2007, the Library opened a new main library. As of December 31, 2007, the Library had the following outstanding contracts:

| Vendor | Contract Amount | Outstanding Balance |
|-----------------------------------|--------------------|---------------------|
| Dunlop and Johnson | \$1,234,494 | \$3,455 |
| The K Company | 10,400 | 416 |
| Wadsworth Slawson Northeast | 71,355 | 4,281 |
| Dunlop and Johnson | 643,060 | 10,481 |
| Architectural Floors of Cleveland | 268,641 | 414 |
| All Seasons Contracting | 94,332 | 20,985 |
| Holzheimer Mechanical Architects | 43,800 | 43,800 |
| Totals | \$2,366,082 | \$83,832 |

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

12. EMPLOYEE BENEFITS

A. Deferred Compensation Plan

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

B. Compensated Absences

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

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

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Ohio Society of Certified Public Accountants

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

Board of Trustees
Wayne County Public Library
220 West Liberty Street
Wooster, Ohio 44691

To the Board of Trustees:

We have audited the financial statements of the governmental activities of Wayne County Public Library, Wayne County, (the Library) as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 31, 2008, in which we indicated the Library follows the modified cash basis of accounting. 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 opinion on the 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.

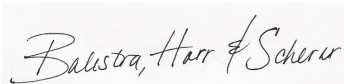
A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 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.



Balestra, Harr & Scherer, CPAs, Inc.
July 31, 2008



Mary Taylor, CPA
Auditor of State

WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 6, 2008