

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Wayne County Public Library, Wayne County, prepared by Kennedy Cottrell Richards, for the audit period January 1, 2006 through December 31, 2006. 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

August 2, 2007

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**Wayne County Public Library
Wayne County Ohio**

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INDEPENDENT AUDITOR'S REPORT

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

To the Trustees of Wayne County Public Library:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County Public Library, Wayne County, Ohio (the Library), as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County Public Library, Wayne County, Ohio, as of December 31, 2006, and the respective changes in modified cash basis financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

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

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

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
June 29, 2007

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(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, 2006.

FINANCIAL HIGHLIGHTS

- The Library's total net assets increased \$4,547,085, or 73%
- As of the close of the most recent fiscal year, the fund balance in the Library's general fund was 1.88 million, an increase of \$36,584, or 1.9%, 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, 2006 the available fund balance was equal to 124 days, up from 122 days as of the close of the previous fiscal year.
- The Library was able set aside \$625,000 for technology, construction, and vehicle replacement. This amount was transferred to the appropriate funds during fiscal year 2006.
- The Library had a groundbreaking for the construction a new Wooster main library building. The building is set to be completed in June 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

The government-wide financial statements can be found on pages 10-11 of this report.

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements

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

The Library maintains 18 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 15 governmental funds are combined into a single, aggregated presentation. The Library's Fund financial statements begin on page 10.

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

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 16 of this report.

THE LIBRARY AS A WHOLE

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

TABLE 1

Net Assets

	2006	2005
Assets		
Current Assets	<u>\$ 10,766,255</u>	<u>\$ 6,219,170</u>
Total Assets	<u><u>10,766,255</u></u>	<u><u>6,219,170</u></u>
Net Assets		
Restricted	8,877,293	130,724
Unrestricted	<u>1,888,962</u>	<u>6,088,446</u>
Total Net Assets	<u><u>\$ 10,766,255</u></u>	<u><u>6,219,170</u></u>

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

THE LIBRARY AS A WHOLE (continued)

Table 2 shows the changes in net assets for the fiscal year ended December 31, 2006.

TABLE 2

Changes in Net Assets

	2006	2005
Revenues:		
Program Revenues		
Charges for Services	\$ 196,068	\$ 174,669
Capital Grants and Contributions	1,903,332	83,984
Operating Grants and Contributions	<u>6,093</u>	<u>4,806</u>
Total Program Revenues	2,105,493	263,459
General Revenues		
Taxes	1,871,737	1,428,016
Grants and Entitlements	3,745,941	3,712,874
Bonds and Notes	12,000,000	-
Other Revenue	<u>563,944</u>	<u>178,577</u>
Total General Revenue	<u>18,181,622</u>	<u>5,319,467</u>
Total Revenues	<u>20,287,115</u>	<u>5,582,926</u>
Expenses:		
Program Expenses		
Public Service and Programs	2,292,080	2,345,793
Collection Development and Processing	1,139,451	1,224,074
Facilities Operation and Maintenance	1,383,919	852,839
Information Services	250,205	232,944
Business Administration	568,590	512,095
Capital Outlay	3,770,274	197,667
Debt Service:		
Principal Retirement	6,100,000	
Interest	<u>235,511</u>	
Total Expenses	<u>15,740,030</u>	<u>5,365,412</u>
Changes in Net Assets	<u>\$ 4,547,085</u>	<u>\$ 217,514</u>

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

THE LIBRARY AS A WHOLE (continued)

General revenues comprise 90% of the Library's revenues with property taxes and unrestricted state entitlements being the primary contributors. Public service and programs and facilities maintenance and operations are the major activities of the Library, accounting for 15% and 9% of total expenses, respectively. Capital outlay accounted for 23% of total expenditures as the construction began in June 2006. Re-payment of the initial note for construction and interest on the note and bonds accounted for 40% of the total expenses for 2006

The increase in the Library's net assets during the fiscal year is attributed to the Library's sale of bonds for the construction of a new main library in Wooster and conscious efforts to minimize spending in light of foreseen reductions in future local government funding.

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>2006</u>		<u>2005</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program Expenses				
Library Services:				
Public Service and Programs	\$ 2,292,080	\$ 2,092,944	\$ 2,345,793	\$ 2,169,124
Collection Development and Processing	1,139,451	1,136,426	1,224,074	1,221,268
Support Services				
Facilities and Operation Maintenance	1,383,919	(519,413)	852,839	768,855
Information Services	250,205	250,205	232,944	232,944
Business Administration	568,590	568,590	512,095	512,095
Capital Outlay	3,770,274	3,770,274	197,667	197,667
Debt Service				
Principal Retirement	6,100,000	6,100,000		
Interest	235,511	235,511		
Total Expense	<u>\$ 15,740,030</u>	<u>\$ 13,634,537</u>	<u>\$ 5,365,412</u>	<u>\$ 5,101,953</u>

The library's reliance on general revenues is indicated by the net cost of services column reflecting the need for \$13.6 million of support as well as Table 2 on the preceding page demonstrating that general revenues comprise 90% of the Library's total revenues.

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

THE LIBRARY'S FUNDS

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

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$10.76 million, an increase of \$4,547,085 in comparison with the prior year. Approximately 47% of this amount (\$5.1 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$5,662,187) or for a variety of other restricted purposes (\$24,200)

The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2006 and 2005.

	<u>Fund Balance</u> <u>December 31, 2006</u>	<u>Fund Balance</u> <u>December 31, 2005</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 1,888,974	\$ 1,852,120	\$ 36,854
Liberty Street Library	6,248,211	2,306,299	3,941,912
Doylestown Branch	1,022,506	700,000	322,506
Other Governmental	1,606,564	1,360,751	245,813
Total	<u>\$ 10,766,255</u>	<u>\$ 6,219,170</u>	<u>\$ 4,547,085</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 \$1.52 million, while total fund balance reached \$1.88 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 31% of total general fund expenditures, while total fund balance represents 39% 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

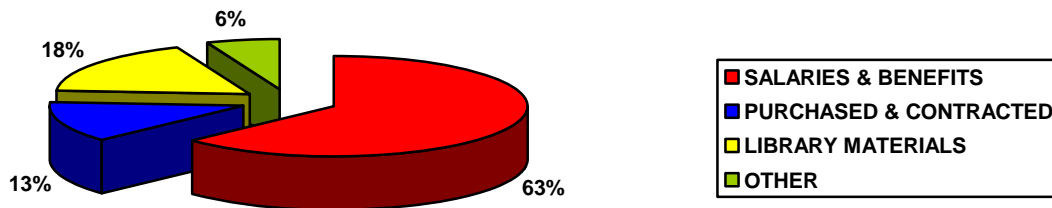
<u>Revenues</u>	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
General Taxes	\$1,444,212	\$1,428,016	1.13%
Intergovernmental	3,744,546	3,712,874	0.85%
Other	314,757	234,772	34.07%
Total	<u>\$5,503,515</u>	<u>\$5,375,662</u>	2.38%

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

THE LIBRARY'S FUNDS (continued)

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



	2006 Amount	2005 Amount	Change	Percent Change
Expenditures by Object:				
Salaries & Benefits	\$ 3,032,723	\$ 2,992,569	\$ 40,154	1.34%
Purchased Services	647,393	641,152	6,241	0.97%
Library Materials	847,037	939,071	(92,034)	-9.80%
Other	314,508	327,576	(13,068)	-3.99%
Total	\$ 4,841,661	\$ 4,900,368	\$ (58,707)	-1.20%

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 exceeded revenue estimate by \$30,457, or ½ of 1%, and the final amended appropriation measure exceeded actual budgetary expenditures by \$467,915, or 8%.

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

DEBT

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

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

CONTACTING THE LIBRARY

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

Wayne County Public Library, Wayne County Ohio
Statement of Net Assets - Modified Cash Basis
 December 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,293,033
Investments	8,473,222
<i>Total Assets</i>	10,766,255
 Net Assets	
Restricted for :	
Non-expendable trust	24,200
Expendable trust	147,024
Capital Projects	8,619,494
Debt Service	86,575
Unrestricted	1,888,962
<i>Total Net Assets</i>	10,766,255

See accompanying notes to the basic financial statements

Wayne County Public Library, Wayne County Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006

	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	\$ 2,292,080	\$ 196,068	\$ 3,068	\$ -	\$ (2,092,944)
Collection Development and Processing	1,139,451	-	3,025	-	(1,136,426)
Support Services:					
Facilities Operation and Maintenance	1,383,919	-	-	1,903,332	519,413
Information Services	250,205	-	-	-	(250,205)
Business Administration	568,590	-	-	-	(568,590)
Capital Outlay	3,770,274	-	-	-	(3,770,274)
Debt Service:					
Principal Retirement	6,100,000	-	-	-	(6,100,000)
Interest	235,511	-	-	-	(235,511)
Total Governmental Activities	15,740,030	196,068	6,093	1,903,332	(13,634,537)
General Receipts					
Property Taxes Levied for General Purposes					1,444,212
Property Taxes Levied for Library Construction					427,525
Unrestricted Gifts and Contributions					-
Grants and Entitlements not Restricted to Specific Programs					3,745,941
Bonds Issued					6,000,000
Notes Issued					6,000,000
Interest					544,172
Miscellaneous					19,772
Total General Receipts					18,181,622
Change in Net Assets					4,547,085
<i>Net Assets Beginning of Year</i>					<u>6,219,170</u>
<i>Net Assets End of Year</i>					<u><u>10,766,255</u></u>

See accompanying notes to the basic financial statements

Wayne County Public Library, Wayne County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2006

	General	Liberty Street Library	Doylestown Branch	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 403,651	\$ 878,602	\$ 117,137	\$ 893,643	\$ 2,293,033
Investments	1,485,323	5,369,609	905,369	712,921	8,473,222
<i>Total Assets</i>	<u>1,888,974</u>	<u>6,248,211</u>	<u>1,022,506</u>	<u>1,606,564</u>	<u>10,766,255</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	369,798	5,212,919	500	78,970	5,662,187
Endowments				24,200	24,200
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,519,176	-	-	-	1,519,176
Special Revenue Funds	-	-	-	-	-
Debt Service Fund	-	-	-	86,575	86,575
Capital Projects Funds	-	1,035,292	1,022,006	1,277,115	3,334,413
Permanent Funds	-	-	-	139,704	139,704
<i>Total Fund Balances</i>	<u>1,888,974</u>	<u>6,248,211</u>	<u>1,022,506</u>	<u>1,606,564</u>	<u>10,766,255</u>

See accompanying notes to the basic financial statements

Wayne County Public Library, Wayne County Ohio
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2006

	General	Liberty Street Library	Doylestown Branch	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 1,444,212	\$ -	\$ -	\$ 427,525	\$ 1,871,737
Intergovernmental	3,744,546	-	-	1,395	3,745,941
Patron Fines and Fees	196,068	-	-	-	196,068
Contributions, Gifts and Donations	-	1,897,832	-	11,593	1,909,425
Earnings on Investments	100,908	378,936	14,006	50,322	544,172
Miscellaneous	17,781	1,992	-	-	19,773
<i>Total Receipts</i>	<u>5,503,515</u>	<u>2,278,760</u>	<u>14,006</u>	<u>490,835</u>	<u>8,287,116</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	2,287,932	-	-	4,149	2,292,081
Collection Development and Processing	1,126,262	-	-	13,189	1,139,451
Support Services:					
Facilities Operation and Maintenance	478,098	905,821	-	-	1,383,919
Information Services	250,205	-	-	-	250,205
Business Administration	561,756	-	-	6,834	568,590
Capital Outlay	137,408	3,431,027	-	201,839	3,770,274
Debt Service:					
Principal Retirement		6,000,000		100,000	6,100,000
Interest				235,511	235,511
<i>Total Disbursements</i>	<u>4,841,661</u>	<u>10,336,848</u>	<u>-</u>	<u>561,522</u>	<u>15,740,031</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>661,854</u>	<u>(8,058,088)</u>	<u>14,006</u>	<u>(70,687)</u>	<u>(7,452,915)</u>
Other Financing Sources (Uses)					
Bonds Issued		6,000,000			6,000,000
Notes Issued		6,000,000			6,000,000
Transfers In	-	-	308,500	316,500	625,000
Transfers Out	(625,000)	-	-	-	(625,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(625,000)</u>	<u>12,000,000</u>	<u>308,500</u>	<u>316,500</u>	<u>12,000,000</u>
<i>Net Change in Fund Balances</i>	36,854	3,941,912	322,506	245,813	4,547,085
<i>Fund Balances Beginning of Year</i>	<u>1,852,120</u>	<u>2,306,299</u>	<u>700,000</u>	<u>1,360,751</u>	<u>6,219,170</u>
<i>Fund Balances End of Year</i>	<u>1,888,974</u>	<u>6,248,211</u>	<u>1,022,506</u>	<u>1,606,564</u>	<u>10,766,255</u>

See accompanying notes to the basic financial statements

Wayne County Public Library, Wayne County Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 1,520,100	\$ 1,520,100	\$ 1,444,212	\$ (75,888)
Intergovernmental	3,710,423	3,710,423	3,744,546	34,123
Patron Fines and Fees	177,455	177,455	196,068	18,613
Earnings on Investments	57,375	57,375	100,908	43,533
Miscellaneous	7,705	7,705	17,781	10,076
<i>Total Receipts</i>	<u>5,473,058</u>	<u>5,473,058</u>	<u>5,503,515</u>	<u>30,457</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	2,573,487	2,495,847	2,308,869	186,978
Collection Development and Processing	1,424,444	1,482,229	1,361,395	120,834
Support Services:				
Facilities Operation and Maintenance	579,384	584,062	502,621	81,441
Information Services	300,796	305,126	293,909	11,217
Business Administration	662,390	643,834	582,355	61,479
Capital Outlay	138,871	168,274	162,308	5,966
<i>Total Disbursements</i>	<u>5,679,372</u>	<u>5,679,372</u>	<u>5,211,457</u>	<u>467,915</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(206,314)</u>	<u>(206,314)</u>	<u>292,058</u>	<u>(437,458)</u>
Other Financing Sources (Uses)				
Transfers Out	(625,000)	(625,000)	(625,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(625,000)</u>	<u>(625,000)</u>	<u>(625,000)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(831,314)	(831,314)	(332,942)	(437,458)
<i>Fund Balance Beginning of Year</i>	1,639,788	1,639,788	1,639,788	-
Prior Year Encumbrances Appropriated	212,332	212,332	212,332	-
<i>Fund Balance End of Year</i>	<u>\$ 1,020,806</u>	<u>\$ 1,020,806</u>	<u>\$ 1,519,178</u>	<u>\$ (437,458)</u>

See accompanying notes to the basic financial statements

Wayne County Public Library, Wayne County Ohio
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
December 31, 2006

	<u>Agency Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 303,875</u>
<i>Total Assets</i>	<u><u>303,875</u></u>
Liabilities	
Undistributed Monies	<u>303,875</u>
<i>Total Liabilities</i>	<u><u>\$ 303,875</u></u>

See accompanying notes to the basic financial statements

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Wayne County Public Library, Wayne County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven member Board of Trustees: four are appointed by the Wayne County Commissioners and three are appointed by the Wayne County Common Pleas Court Judges. The Library provides the community with various educational and literary resources.

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

B. Government-wide and fund financial statements

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

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

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

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

Both the government-wide and fund financial statements were prepared using the modified cash basis of accounting, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The library reports the following major governmental funds:

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

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

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

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

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Deposits and Investments

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

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

E. Capital Assets

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

F. Fund Balance/Net Assets

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

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

G. Fund Balance/Net Assets

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

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

The adjustment necessary to convert the results of operations for the year ended December 31, 2006, on the modified cash basis to the budget basis are as follows:

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

	<u>General Fund</u>
Modified cash basis	\$ 36,854
Encumbrances	<u>(369,796)</u>
Budget basis	<u>\$ (332,942)</u>

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

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

Deposits - At year-end, the carrying amount of the Library's deposits was \$50,184 and the bank balance was \$313,231. Of the bank balance, \$104,384 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, 2006, the Library had the following investments and maturities:

Investment Type	Cost Basis	6 months or less	7 to 12 Months	13 to 24 Months
Repurchase Agreements	2,093,764	2,093,764	-	-
U.S. Treasury Money Market	55,881	55,881	-	-
Federal Home Loan Bank	8,473,222	5,503,822	1,458,636	1,510,764
Star Ohio	397,079	397,079	-	-
Total	\$ 11,019,946	\$ 8,050,546	\$ 1,458,636	\$ 1,510,764

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

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

Concentration of Credit Risk. The Library's places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the Library at December 31, 2006:

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreements	2,093,764	19%
U.S. Treasury Money Market	55,881	1%
Federal Home Loan Bank	8,473,222	77%
Star Ohio	397,079	4%
Total	<u>\$ 11,019,946</u>	<u>100%</u>

NOTE 4 - GRANTS-IN-AID AND TAX RECEIPTS

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

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

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

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

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

NOTE 5 – PENSION PLAN

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

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

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2006, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

The 2006 member contribution rate for Library employees was 9.0% of covered payroll. The 2006 employer contribution rate for the Library was 13.70% of covered payroll. The Library's contributions to OPERS for the years ended December 31, 2006, 2005, and 2004 were \$324,578, \$327,795, and \$316,842, respectively. The full amount has been contributed for 2004 and 2003. At year-end, 92 percent has been contributed for 2006 and the full amounts for 2004 and 2005.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS

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

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

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2006 employer contribution rate was 13.70% of covered payroll, and 4.50% was used to fund health care for the year. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2005.

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

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

Investment Return - The investment assumption rate for 2005 was 6.50%.

Active Employee Total Payroll - An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from .50% to 6.30%.

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6.00% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4.00% (the projected wage inflation rate).

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

At year-end 2005, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,214.

The contribution rates stated above are the actuarially determined contribution requirements for OPERS. The portion of the Library's 2006 contributions that were used to fund post-employment benefits was \$106,613.

\$11.1 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2005.

The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

NOTE 7 – 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, 2006 principal outstanding was \$5,900,000

NOTE 8 – LEASE OBLIGATIONS

The Library has entered into the following operating leases agreements:

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

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

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

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

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

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

NOTE 9 - RISK MANAGEMENT

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

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

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

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

NOTE 10 - EMPLOYEE BENEFITS

A. Deferred Compensation Plan

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

B. Compensated Absences

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

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

**Wayne County Public Library
Wayne County Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

NOTE 11 – INTERFUND TRANSFERS

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

Interfund transfers during the fiscal year were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		\$625,000
Doylestown Branch	\$308,500	
Other Governmental Funds	\$316,500	

NOTE 12 – Contract Commitments.

During FY 2006, the Library began construction on a new main library to be opened during 2007. As of 12/31/2006, the Library had the following outstanding contracts:

<u>Vendor</u>	<u>Contract Amount</u>	<u>12/31/06 Outstanding Balance</u>
Abbott Electric	1,234,494	1,016,085
Dunlop and Johnson	4,843,188	3,281,216
Fire Protection, Inc	105,700	105,700
G.E. Baker Construction Inc	660,038	366,930
Schmid Mechanical Inc	838,648	454,729
SoundCorn Systems	252,952	252,952
The K Company	10,400	8,900
Wadsworth Slawson Northeast	71,355	71,355
No Burn	45,600	45,600
Studio Arts & Glass Inc	20,000	20,000
Meehan Architects Inc	900,000	331,848
Dunlop and Johnson	643,060	643,060
APG Office Furnishings	266,211	266,211
Library Design Assoc.	144,815	144,815
Architectural Floors of Cleveland	268,641	268,641
Totals	10,305,102	7,278,042

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

To the Board of Trustees
Wayne County Public Library

We have audited the financial statements of the Wayne County Public Library, Wayne County, (The Library) as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated June 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles as they apply to the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 2006-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

We noted certain additional matters that we reported to management of the Library in a separate letter dated June 29, 2007.

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

This report is intended 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 these specified parties.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC
June 29, 2007

WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY

SCHEDULE OF FINDINGS

DECEMBER 31, 2006

2006-1 Material Weakness – Financial Reporting

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management of the Library. This responsibility remains intact, even if management decides to outsource this function for efficiency purposes, or any other reason, to another accountant or consultant. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

As a result of our audit, we identified material misstatements in the Library's financial statements. We provided adjusting entries to Library's management and they subsequently corrected the misstatements. The misstatements are a strong indicator that the Library does not have sufficient internal control procedures in place related to financial reporting.

We recommend the Library implement sufficient control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements. Control procedures could include a separate review and analysis of the compiled financial statements and related journal entries by someone within management who is knowledgeable of generally accepted accounting principles as they apply to the modified cash basis of accounting.

Official's Response

The Wayne County Public Library now has a clear understanding of the audit adjustment for the contractor escrow funds. I originally recorded the funds as transfers to the Agency fund instead of an expenditure to the capital fund. This has been corrected for the next capital project occurring in 2007.



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
AUGUST 14, 2007**