

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name CASS DISTRICT LIBRARY	County CASS
Fiscal Year End DECEMBER 31, 2007	Opinion Date FEBRUARY 8, 2008	Date Audit Report Submitted to State FEBRUARY 20, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

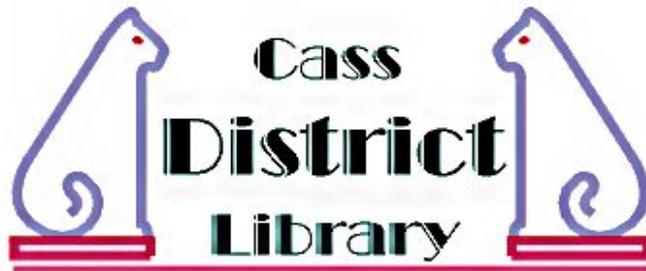
YES NO **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) SCHAFFER & LAYHER, PLLC		Telephone Number 269-983-0131		
Street Address 805 VAN BRUNT AVENUE		City ST. JOSEPH	State MI	Zip 49085
Authorizing CPA Signature 		Printed Name MICHAEL W. LAYHER		License Number A654128



CASS DISTRICT LIBRARY

**FINANCIAL STATEMENTS WITH
SUPPLEMENTAL INFORMATION**

For the Year Ended December 31, 2007

LIBRARY BOARD MEMBERS

<u>Office</u>	<u>Official</u>	Appointed <u>by:</u>	<u>From:</u>	Term <u>Expires:</u>
President	Eileen Adams	Howard Township	Howard Township	12/31/2009
Vice President	Grafton Cook	County of Cass	Pokagon, Milton & Jefferson Twps.	12/31/2010
Treasurer	Hank Yeomans	County of Cass	Ontwa, Calvin & Porter Twps.	12/31/2008
Trustee	Mary Anne Hoebeke	Village of Edwardsburg	Village of Edwardsburg	12/31/2010
Trustee	Sue Toth	Mason Township	Mason Township	12/31/2009
Trustee	Mary Dunn	LaGrange Township	LaGrange Township	12/31/2008
Trustee	Nancy Stoner	County of Cass	At Large	12/31/2010
Trustee	Ronald Francis	County of Cass	Volinia, Penn, & Newberg Twps.	12/31/2008

EXECUTIVE DIRECTOR

Jennifer Ray

<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 4
SECTION I - FINANCIAL STATEMENTS	
Balance Sheet – Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances/ Statement of Activities	6
Notes to the Financial Statements	7 - 15
SECTION II – REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule – General Fund	16



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Cass District Library

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cass District 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. The financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Cass District Library as of December 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and budgetary comparison information on pages 2 through 4 and page 16, are not a required part of the basic financial statements, but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Schaffer & Layher". The signature is written in a cursive, flowing style.

Schaffer & Layher
February 8, 2008

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

As management of the Cass District Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the year ended December 31, 2007.

FINANCIAL HIGHLIGHTS

- ✓ The assets of the library exceeded its liabilities at the close of the most recent year by \$414,464, and of this amount, \$193,297 is unrestricted and may be used to meet the Library's ongoing obligations to citizens and creditors.
- ✓ The library's total net assets increased by \$12,837 and \$50,920 for 2007 and 2006, respectively.
- ✓ As of the close of the current year, the Library's governmental fund reported an ending fund balance of \$202,803. For this year, expenditures exceeded revenues by \$2,046. All is available for spending, with some board designations that can be changed.
- ✓ Unreserved fund balance for the general fund was \$202,803 or 21.12% and \$204,849 or 22.66% of the total general fund expenditures for 2007 and 2006, respectively.

OVERVIEW OF FINANCIAL STATEMENT

This annual report consists of three parts – *management's discussion and analysis (this section)*, *the basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the library:

- The first column of the financial statement includes information on the Library's general fund under the modified accrual method. The *fund financial statements* focus on the current financial resources and provide a more detailed view about the accountability of the library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *library as whole financial statement* column provides both *long-term* and *short-term* information about the Library's overall financial status. The statement of net assets and the statement of net activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve overtime as a useful indicator of the government's financial position. In the case of the library, assets exceeded liabilities by \$414,464 at the close of the most recent year. The largest portion of the Library's net assets are reflected in its investment in capital assets, less any related debt used to acquire those assets. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The following table compares key financial information in a condensed format:

	<u>2007</u>	<u>2006</u>
Current Assets	\$ 1,027,024	\$ 988,699
Capital Assets, net	267,148	234,066
Total Assets	<u>\$ 1,294,172</u>	<u>\$ 1,222,765</u>
Long-Term Debt	\$ 27,753	\$ 21,025
Other Liabilities	851,955	800,113
Total Liabilities	<u>\$ 879,708</u>	<u>\$ 821,138</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 221,167	\$ 205,169
Unrestricted	193,297	196,458
Total Net Assets	<u>\$ 414,464</u>	<u>\$ 401,627</u>
Revenues:		
Taxes	\$ 751,514	\$ 712,429
Other	206,267	239,241
Total Revenues	<u>\$ 957,781</u>	<u>\$ 951,670</u>
Expenses-Library services	<u>944,944</u>	<u>900,750</u>
Change in Net Assets	<u>\$ 12,837</u>	<u>\$ 50,920</u>

The unrestricted net assets of \$193,297 may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current year, the Library is able to report positive balances in both categories of net assets for its governmental activities.

The Library's net assets show an increase of \$12,837, mostly from decreased capital costs.

The Library's governmental revenues increased by \$6,111 and expenses increased by \$44,194 during the year.

GOVERNMENTAL FUND ANALYSIS

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

Governmental Fund. The focus of the Library's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Library's governmental fund reported ending fund balance of \$202,803, a decrease of \$2,046. All of the fund balance constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The general fund is the only operating fund of the Library.

LIBRARY BUDGETARY HIGHLIGHTS

The following significant differences between the original budget and the final amended budget are as follows:

Final budgeted revenues increased over original by \$3,895 as taxes and other local dollars came in higher than expected.

Final budgeted expenses increased over original by \$34,841 attributable to higher employee benefits and repair expenditures than originally expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

During current year, the Library invested in capital assets for its governmental activities of \$60,658 (before depreciation). This investment includes capital assets, including library books, audio, buildings, furniture, computer equipment and the initial cost in expanding the Edwardsburg Branch. The Library expects that additions for 2008 will be the same or slightly lower than 2007.

LONG-TERM DEBT

At December 31, 2007, the Library had total debt outstanding of \$55,487. Outstanding debt consisted of \$16,926 owed on a note, \$29,055 for a capital lease, and \$9,506 of accrued vacation.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and financially prudent budget for the 2008 calendar year that will promote several of the Library's activities and programs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Cass District Library, 319 M-62; Cassopolis, Michigan 49031.

Balance Sheet – Statement of Net Assets
December 31, 2007

	<i>General Fund</i>		<i>Library as a</i>
	<i>Balance Sheet-</i>	<i>Adjustments</i>	<i>Whole</i>
	<i>Modified</i>	<i>(Note 2)</i>	<i>Statement of</i>
	<u><i>Accrual</i></u>	<u><i>(Note 2)</i></u>	<u><i>Net Assets-</i></u>
			<u><i>Full Accrual</i></u>
Assets			
Cash and cash equivalents (Note 3)	\$ 76,166	\$ -	\$ 76,166
Investments (Note 3)	154,058	-	154,058
Receivables (Note 12)	796,800	-	796,800
Total Current Assets	1,027,024	-	1,027,024
Capital Assets-Net of			
Accumulated Depreciation (Note 5)	-	267,148	267,148
Total Assets	\$ 1,027,024	\$ 267,148	\$ 1,294,172
Liabilities and Fund Balance/Net Assets			
Liabilities			
Accounts Payable (Note 12)	\$ 10,623	\$ -	\$ 10,623
Accrued Payroll and Liabilities	16,798	-	16,798
Deferred Revenue	796,800	-	796,800
Long-Term Debt, current portion	-	27,734	27,734
Total Current Liabilities	\$ 824,221	\$ 27,734	\$ 851,955
Long-Term Debt, net of current portion	-	27,753	27,753
Total Liabilities	\$ 824,221	\$ 55,487	\$ 879,708
Fund Balance/Net Assets			
Unreserved Fund Balance:			
Designated for vacation accrual	\$ 14,934	\$ (14,934)	\$ -
Designated for technology	16,000	(16,000)	-
Designated for capital improvements by (County)	10,000	(10,000)	-
Designated for main library	15,000	(15,000)	-
Undesignated	146,869	(146,869)	-
Total Fund Balance	\$ 202,803	\$ (202,803)	\$ -
Total Liabilities and Fund Balance	\$ 1,027,024	\$ (147,316)	
Net Assets			
Invested in Capital Assets-Net of Debt		\$ 221,167	\$ 221,167
Unrestricted		193,297	193,297
Total Net Assets		\$ 414,464	\$ 414,464

CASS DISTRICT LIBRARY

**Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities
December 31, 2007**

	<i>General Fund</i> Revenues and Expenditures- Modified <u>Accrual</u>	Adjustments (Note 2)	<i>Library as a Whole</i> Statement of Activities- <u>Full Accrual</u>
Revenues:			
Taxes	\$ 751,514	\$ -	\$ 751,514
State Sources	28,477	-	28,477
Penal Fines	131,061	-	131,061
Fees and Book Fines	3,010	-	3,010
Investment Income	15,933	-	15,933
Local Contributions and Other	27,786	-	27,786
	<u>\$ 957,781</u>	<u>\$ -</u>	<u>\$ 957,781</u>
Expenditures:			
Salaries	\$ 444,111	\$ 1,115	\$ 445,226
Payroll taxes	32,418	-	32,418
Employee benefits	128,289	-	128,289
Staff training	4,054	-	4,054
Office supplies	17,246	-	17,246
Audiovisual, books, and periodicals	97,162	-	97,162
Professional fees	9,237	-	9,237
Contractual services	36,277	(576)	35,701
Membership and recruitment	6,197	-	6,197
Internet service	15,173	-	15,173
Insurance	13,517	-	13,517
Processing costs	8,332	-	8,332
Travel	3,227	-	3,227
Programs	10,113	-	10,113
Utilities	51,913	-	51,913
Repairs and maintenance	27,460	-	27,460
Principal payments	11,971	(11,971)	-
Interest payments	2,260	159	2,419
Depreciation	-	27,576	27,576
Capital expenditures	40,870	(31,186)	9,684
Total expenditures	<u>\$ 959,827</u>	<u>\$ (14,883)</u>	<u>\$ 944,944</u>
(Deficit)Excess of revenues (under)over expenditures	<u>\$ (2,046)</u>	<u>\$ 14,883</u>	<u>\$ 12,837</u>
Fund Balance/Net Assets-Beginning of Year	<u>204,849</u>		<u>401,627</u>
Fund Balance/Net Assets-End of Year	<u>\$ 202,803</u>		<u>\$ 414,464</u>

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cass District Library (the “Library”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

The Library has implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (“GASB 34”). The Statements include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Library’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library’s activities.
- A change in the fund financial statements to focus on the major funds.

Reporting Entity

The Library is located in the Village of Cassopolis, Michigan and is governed by an eight (8) member board. The Library is primarily funded through a tax levy, fines, fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. The Library is a District Library formed pursuant to the District Library Establishment Act (1989 Public Act 24) by an agreement between the Townships of LaGrange, Howard, Mason, the Village of Edwardsburg, and the County of Cass. Based on the significance of any operational or financial relations with the Library, there are no component units to be included in these financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Library’s basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library’s major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Government-wide Financial Statements, Continued**

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets-net of related debt; restricted net assets; and unrestricted net assets.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

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.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Assets, Liabilities, and Net Assets or Equity

Capital Assets – Capital assets are defined by the Library as assets with an estimated useful life in excess of one year and exceed \$2,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

Assets, Liabilities, and Net Assets or Equity, Concluded

Capital Assets, Concluded

Building improvements, furniture and fixtures, equipment, and library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Buildings	20 – 50 years
Building improvement	10 – 20 years
Furniture and fixtures	5 – 10 years
Library books, periodicals, etc.	10 years
Equipment	5 – 10 years

Compensated Absences (Vacation and Sick Leave) – It is the Library’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Property Taxes – Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year, at which time the Library recognizes the levy. These taxes are due on February 15 with the final collection date of February 28. Starting March 1, they are added to the county tax rolls.

NOTE 2. RECONCILIATION OF GOVERNMENT – WIDE AND FUND FINANCIAL STATEMENTS

Total fund balances and the net change in fund balances of the Library’s governmental funds differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The following is a reconciliation of fund balance to net assets and net change in fund balances to the net change in net assets:

NOTE 2. RECONCILIATION OF GOVERNMENT – WIDE AND FUND FINANCIAL STATEMENTS, CONCLUDED*Adjustments for Balance sheet to Statement of Net Assets:*

Total Fund Balance-Modified Accrual Basis	\$ 202,803
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	267,148
Long-term liabilities are not due and payable in the current period and are not reported as a liability	(45,981)
Compensated absences are included as a liability	(9,506)
Total Net Assets-Full Accrual Basis	<u>\$ 414,464</u>

Adjustments for Statement of Revenues and Expenses to Statement of Activities:

Net Change in Fund Balance-Modified Accrual Basis	\$ (2,046)
Amounts reported in the statement of net assets are different because:	
Capital outlay is not an expense of the current period	31,186
Capital costs are allocated over their estimated useful lives as depreciation	(27,576)
Change in the accrual for long-term compensated absences reported as an expenditure in the statement of activities but not in the fund statements	(1,115)
Repayments of note principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	12,388
Change in Net Assets of Governmental Activities	<u>\$ 12,837</u>

NOTE 3. DEPOSITS AND INVESTMENTS

At December 31, 2007, the Libraries deposits and investments include the following:

	Cash and Cash Equivalents	Investments
Cash on hand	\$ 450	\$ -
Bank deposits	75,716	-
Investments	-	154,058
Total	<u>\$ 76,166</u>	<u>\$ 154,058</u>

Bank Deposits – All cash of the Library is on deposit with financial institutions which provide FDIC insurance coverage.

Custodial Credit Risk-Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2007, none of the Library's bank balance was exposed to custodial risk because it was uninsured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name. The Library does not have a deposit policy for custodial credit risk.

Investments – The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

	<u>Fair Value</u>	<u>Current Value</u>	<u>Investment Maturities</u>		
			<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10</u>
Money Market Funds	<u>\$154,058</u>	<u>\$ 154,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Library does not have a policy for interest rate, credit, concentration of credit, or custodial risk relating to investments.

Foreign Currency Risk: The Library is not authorized to invest in investments, which have this type of risk.

NOTE 4. BUDGET INFORMATION

The annual budget is prepared by the Library Director and adopted by the Library Board of Trustees; subsequent amendments are approved by the Library Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. There were no encumbrances outstanding at December 31, 2007. During the current year, the budget was amended in a legally permissible manner. The budget statement (statement of revenue, expenditures and changes in fund balance – budget and actual) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the actual results of operations of the General Fund budget, as adopted by the Library Board, is available at the Library for inspection.

NOTE 4. BUDGET INFORMATION, CONCLUDED

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Library incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	Amended Budget	Actual	Variance
Audiovisual, books, and periodicals	\$ 96,569	\$ 97,162	\$ (593)
Internet service	15,000	15,173	(173)
Office supplies	17,200	17,246	(46)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Library.

Fund Deficits—The Library has no accumulated fund balance deficits in their reported funds.

NOTE 5. CAPITAL ASSETS

Capital asset activity of the Library's governmental activities was as follows:

	Balance 1/1/2007	Additions	Disposals and Adjustments	Balance at 12/31/07
<u>Assets not being depreciated:</u>				
Land	\$ 13,207	\$ -	\$ -	\$ 13,207
Construction in Progress	-	31,186		31,186
Subtotal	\$ 13,207	\$ 31,186	\$ -	\$ 44,393
<u>Depreciable capital assets:</u>				
Building and improvements	\$ 151,291	\$ -	\$ -	\$ 151,291
Furniture and fixtures	43,030	-	-	43,030
Equipment	90,990	29,472	-	120,462
Books, audiovisual, periodicals	1,686,012	-	-	1,686,012
Subtotal	\$ 1,971,323	\$ 29,472	\$ -	\$ 2,000,795
Less: Accumulated Depreciation	(1,750,464)	\$ (27,576)	\$ -	(1,778,040)
Net depreciable capital assets	\$ 220,859			\$ 222,755
Net capital assets	\$ 234,066			\$ 267,148

Capital assets, including library books, are recorded at cost. Depreciation expense was \$27,576 for the year ended December 31, 2007.

Equipment includes \$29,472 of gross costs and \$5,894 of accumulated depreciation recorded under capital leases.

NOTE 6. LONG-TERM DEBT

Long-term debt is comprised of the following at December 31, 2007:

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Notes and Leases:						
Note Payable	6.80%	9/1/2015	\$ 28,897	\$ (11,971)	\$ 16,926	\$ 13,043
Capital Lease		11/26/2012	-	29,055	29,055	5,185
Subtotal			\$ 28,897	\$ 17,084	\$ 45,981	\$ 18,228
Other Liabilities:						
Accrued Vacation	n/a	n/a	8,391	1,115	9,506	9,506
			\$ 37,288	\$ 18,199	\$ 55,487	\$ 27,734

Annual debt service requirements to maturity for the above obligations (excluding accrued vacation) are as follows:

Year Ended December 31,	Governmental Activities		
	Principal	Interest	Total
2008	\$ 18,228	\$ 2,789	\$ 21,017
2009	9,414	1,408	10,822
2010	5,902	1,016	6,918
2011	6,296	622	6,918
2012	6,141	201	6,342
	\$ 45,981	\$ 6,036	\$ 52,017

Interest expense for the year ended December 31, 2007 amounted to \$2,419.

NOTE 7. LEASES

Operating Leases-The Library leases equipment under noncancellable operating leases. Total costs for such leases were \$12,838 for the current year, included with contractual services. All of the leases expired during 2007 and the assets returned.

In addition, the Library leases its main facility, located in Cassopolis, from the County of Cass for an annual cost of \$1 plus maintenance and repairs. Under the terms of the lease agreement, the Library was required to pay \$0 for 2007 to the County Treasurer to fund the replacement of capital items, but has designated \$15,000 of their net assets for this purpose. (See Note 11.)

NOTE 8. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library obtains general liability insurance to cover those risks at a cost it considers to be economically justifiable.

NOTE 9. DEFINED BENEFIT PENSION PLAN**Plan Description**

The Library participates in an agent, multiple-employer defined benefit pension plan Municipal Employees' Retirement System of Michigan (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty and duty death allowances, and post retirement adjustments to plan members and their beneficiaries. The most recent period for which actuarial data was available was for the year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Act 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly-available financial report that includes financial statements and required supplemental information for the retirement system. That report may be obtained by writing to Municipal Employees Retirement System of Michigan, 447 Canal Road, Lansing, MI 48917-9755.

Funding Policy

MERS members are required to contribute an amount varying from 0.0% to 10.0%, depending upon which plan they fall under. The Library is required to contribute at an actuarially-determined rate; the current rate is 0.0% to 21.08% of annual covered payroll, depending on the plan. The contribution requirements of plan members and the commission are established and may be amended by the MERS.

Annual Pension Cost

For the year ended December 31, 2007, the Library contributions were zero (0), which was made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2006. The employer contribution rate has been determined using the entry actual age cost method. Significant actuarial assumptions used included (a) 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent, attributable to inflation, and (c) 0 to 4.2 percent per year attributable to merit and longevity. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over a 30-year period.

NOTE 9. DEFINED BENEFIT PENSION PLAN, CONCLUDED

Three year trend information:

	For the year ended December 31:		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost ("APC")	\$ -	\$ -	\$ -
Percentage of APC contributed	-	-	-
Net pension obligation	-	-	-
Actuarial value of assets	\$ 632,588	\$ 649,198	\$ 678,222
Actuarial Accrued Liability ("AAL")(entry age)	393,656	435,987	493,518
Unfunded(Overfunded) AAL	(238,932)	(213,211)	(184,704)
Funded ratio	160.70%	148.90%	137.43%
Covered payroll	277,667	326,174	348,624
UAAL as a percentage of covered payroll	86.05%	65.37%	52.98%

NOTE 10. FUNDS HELD BY THE MICHIGAN GATEWAY COMMUNITY FOUNDATION

The Library is the beneficiary of endowment funds at the Michigan Gateway Community Foundation that are considered permanent endowments to benefit the Library. The endowments are within the Foundation and not part of the Library's General Fund. Investment earnings are reinvested into the endowment. The amount of the endowment funds held at Michigan Gateway Community Foundation in the Cass District Library Fund approximates \$1,054.

During the year, the Library did not withdraw past earnings on principal from the endowment funds held at the Michigan Gateway Community Foundation.

NOTE 11. DESIGNATED FUND BALANCE

Fund balance has been designated by the Board for the following purposes:

Vacation accrual	\$ 14,934
Technology	16,000
Capital improvements	10,000
Main library	15,000
	<u>\$ 55,934</u>

NOTE 12. RECEIVABLE AND PAYABLES

Receivables as of December 31, 2007 for the Township's general fund consisted of \$796,800 of taxes receivable for next years levy.

Payables as of December 31, 2007 for the Township's general fund consisted of \$10,623 of normal trade payables.

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2007

	Originally Adopted Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 748,407	\$ 752,000	\$ 751,514	\$ (486)
State Sources	27,000	28,477	28,477	-
Penal Fines	150,000	131,061	131,061	-
Fees and Book Fines	3,600	3,000	3,010	10
Investment Income	9,000	15,000	15,933	933
Local Contributions and Other	27,300	39,664	27,786	(11,878)
	<u>\$ 965,307</u>	<u>\$ 969,202</u>	<u>\$ 957,781</u>	<u>\$ (11,421)</u>
Expenditures:				
Salaries	\$ 448,177	\$ 460,000	\$ 444,111	\$ 15,889
Payroll taxes	34,285	35,190	32,418	2,772
Employee benefits	105,800	128,364	128,289	75
Staff training	5,610	5,000	4,054	946
Office supplies	17,000	17,200	17,246	(46)
Audiovisual, books, and periodicals	92,350	96,569	97,162	(593)
Professional fees	15,500	10,725	9,237	1,488
Contractual services	43,000	38,000	36,277	1,723
Membership and recruitment	10,225	7,000	6,197	803
Internet service	14,000	15,000	15,173	(173)
Insurance	15,000	13,600	13,517	83
Processing costs	8,500	8,500	8,332	168
Travel	4,500	3,700	3,227	473
Programs	10,100	10,200	10,113	87
Utilities	57,000	55,000	51,913	3,087
Repairs and maintenance	21,600	27,500	27,460	40
Miscellaneous	60	-	-	-
Automation	10,500	10,500	-	10,500
Debt payments	14,231	14,231	14,231	-
Capital expenditures	43,000	47,000	40,870	6,130
Total expenditures	<u>\$ 970,438</u>	<u>\$ 1,003,279</u>	<u>\$ 959,827</u>	<u>\$ 43,452</u>
(Deficit) Excess of revenues over (under) expenditures	\$ (5,131)	\$ (34,077)	\$ (2,046)	\$ 32,031
Fund Balance-Beginning of Year	204,849	204,849	204,849	-
Fund Balance-End of Year	<u>\$ 199,718</u>	<u>\$ 170,772</u>	<u>\$ 202,803</u>	<u>\$ 32,031</u>