

### 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 DEWITT PUBLIC LIBRARY	County CLINTON
Fiscal Year End 6/30/2007	Opinion Date November 27, 2007	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

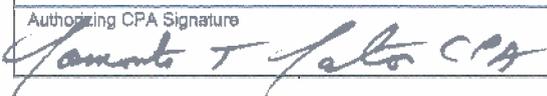
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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 checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MANER, COSTERISAN & ELLIS, P.C.	Telephone Number (517) 323-7500		
Street Address 544 CHERBOURG DRIVE, SUITE 200	City LANSING	State MI	Zip 48917
Authorizing CPA Signature 	Printed Name Lamonte T. Lator		License Number 1101008801

**DEWITT PUBLIC LIBRARY**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2007**

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
DeWitt Public Library  
DeWitt, Michigan

November 27, 2007

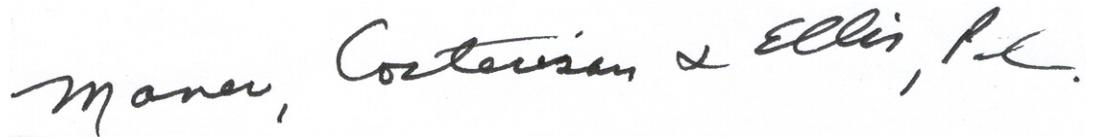
We have audited the accompanying financial statements of the governmental activities and the major fund of the DeWitt Public Library for the year ended June 30, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DeWitt Public 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 the major fund of the DeWitt Public Library as of June 30, 2007, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages v through xi and page 11, are not a required part of the basic financial statements but is supplementary information required by accounting principles 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DeWitt Public Library's basic financial statements. The additional information on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Maner, Costarsian & Ellis, P.C." The signature is written in a cursive style.

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the DeWitt Public Library (the Library), we offer readers of the DeWitt Public Library's financial statements this narrative overview and analysis of the financial activities of the DeWitt Public Library for the fiscal year ended June 30, 2007 and 2006.

### FINANCIAL HIGHLIGHTS

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$1,275,657 (net assets). Of this amount, \$491,030 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$73,154.
- As of the close of the current fiscal year, the Library's governmental fund reported ending fund balance of \$489,012, a decrease of \$34,000 in comparison with the prior year.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$325,421, or 53 percent of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

**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 and liabilities, with the difference between the two reported as *net assets*. 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. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements can be found on pages 1 and 2 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Library is categorized as a governmental fund.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund.

The Library adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 1 and 2 of this report.

**Notes to the 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 can be found on pages 3 through 9 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Library's general fund budget on page 11. Additional information can be found on pages 13 and 14 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Library, assets exceeded liabilities by \$1,275,657 at the close of the most recent fiscal year.

By far the largest portion of the Library's net assets (61 percent) reflects its investment in capital assets (e.g., library books, furniture and equipment), less any related debt, none at year end, used to acquire those assets that are still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

### DeWitt Public Library's Net Assets

	Governmental activites	Governmental activites
	2007	2006
Current assets	\$ 528,271	\$ 562,685
Capital assets	784,627	824,050
Total assets	1,312,898	1,386,735
Liabilities	37,241	37,924
Net assets:		
Invested in capital assets, net of related debt	784,627	824,050
Unrestricted	491,030	524,761
Total net assets	\$ 1,275,657	\$ 1,348,811

The unrestricted net assets \$491,030 may be used to meet the Library's ongoing obligations to citizens and creditors.

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

The Library's net assets decreased by \$73,154 during the fiscal year. Salaries increased by 27 percent primarily because of hiring staff to work at the new satellite library and a general 2% wage increase for salaried employees and a 1% increase for hourly employees. Contractual services were up \$32,698 primarily due to hiring an architectural firm to begin work on plans for the new library building and for increased legal costs also related to the new building project. Repairs and maintenance increased \$3,182 arising from the adoption of higher capitalization policy. Lastly, personnel benefits and expenses increased 19 percent. This was due to general increases and a few employees who entered a higher rate due to increasing age.

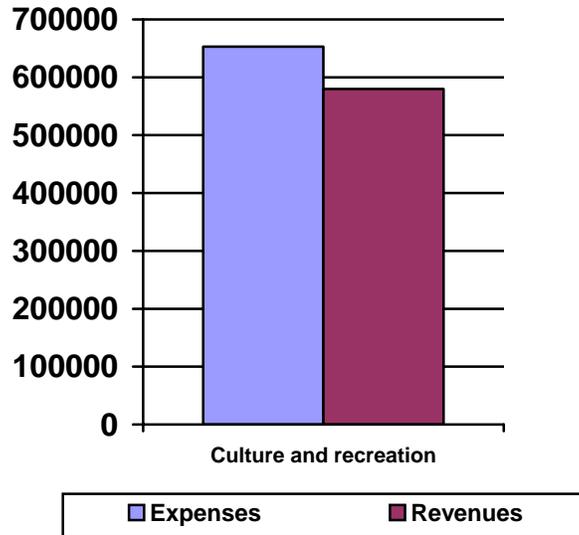
**Governmental activities.** Governmental activities decreased the Library’s net assets by \$73,154, thereby the governmental activities accounted for 100 percent of the total decrease in the net assets of the Library. Key elements of this decrease are as follows:

DeWitt Public Library’s Changes in Net Assets

	Governmental activities	Governmental activities
	2007	2006
Revenues:		
Charges for services	\$ 14,458	\$ 13,063
State aid	21,726	19,854
Property taxes	318,321	296,153
Penal fines	201,342	187,214
Photocopies	3,028	938
Investment earnings	6,907	6,882
Other	13,812	4,982
Total revenues	579,863	529,086
Expenses	653,017	533,653
Decrease in net assets	(73,154)	(4,567)
Net assets, beginning of year	1,348,811	1,353,378
Net assets, end of year	<u>\$ 1,275,657</u>	<u>\$ 1,348,811</u>

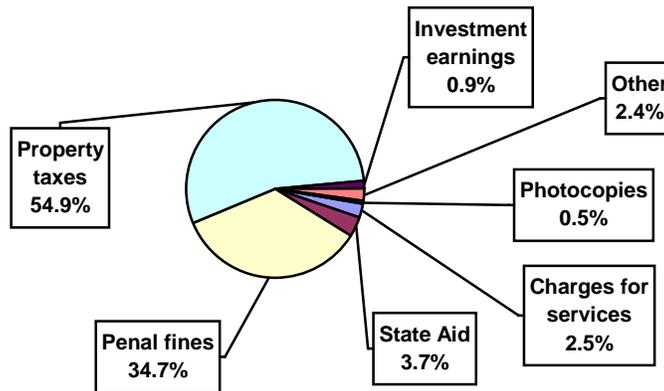
- Overall government activities revenue is up \$50,777 from the prior year. The increase in revenue is attributed to an overall increase in property values on which property taxes are assessed and an increase in penal fines.
- Expenses for governmental activities went from \$533,653 to \$653,017, an increase of \$119,364. Approximately \$34,000 of the increase arises from hiring a consulting firm in relation to the new building project along with increased legal costs also associated with the new building project. Salaries increased 27% due to the addition of the satellite library and normal staff increases. Personnel benefits rose 19 percent due to general insurance rate increases and the addition of a few employees into higher rate zones due to increased age. The increase in the capitalization policy from \$300 to \$3,000 also added to expense line items as fewer amounts met the threshold for capitalization that would have been capitalized in prior years.

**2007**  
**Expenses and Revenues – Governmental Activities**



**Revenues by Source – Governmental Activities**

**Total Revenues = \$579,863**



For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

## Financial Analysis of the Government's Fund

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 fiscal year.

As of the end of the current fiscal year, the Library's governmental fund reported ending fund balance of \$489,012, a decrease of \$34,000 in comparison with the prior year. Approximately two thirds of this total amount (\$325,421) constitutes *unreserved/undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to prepaid expenditures (\$13,591) or 2) designation for building and site (\$150,000).

The general fund is the chief and only operating fund of the Library. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$325,421, while total fund balance reached \$489,012. 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 53 percent of total general fund expenditures, while total fund balance represents 80 percent of that same amount.

The fund balance of the Library's general fund decreased by \$34,000 during fiscal year 2007. Key factors for this decrease are as follows:

- Revenues increased by only 9.6%.
- Expenses increased by 18.1% overall but included consulting services of approximately \$34,000 related to the new library. Without this item, expenses increased 11.5%.

### General Fund Budgetary Highlights - Adjust

- The original budget was increased upon approval of the architectural contract related to the proposed library project.

## Capital Asset and Debt Administration

**Capital assets.** The Library's investment in capital assets for its governmental activities as of June 30, 2007 amounts to \$784,627 (net of accumulated depreciation). This investment in capital assets includes library books, audio, furniture and office equipment. The total decrease in the Library's investment in capital assets for the current fiscal year was 4.8 percent.

Major capital asset events during the current fiscal year included the following:

Purchase of:

- New library books and audio
- Shelving

### DeWitt Public Library's Capital Assets (net of depreciation)

	<u>2006</u>		<u>2006</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 70,000	\$	\$ 70,000	\$ 70,000
Buildings and building improvements	524,379	124,402	399,977	412,982
Library books and videos	414,385	210,273	204,112	201,740
Furniture and office equipment	177,415	121,023	56,392	66,216
Office equipment	217,065	162,919	54,146	73,112
	<u>\$ 1,403,244</u>	<u>\$ 618,617</u>	<u>\$ 784,627</u>	<u>\$ 824,050</u>

Additional information on the Library's capital assets can be found in Note 4 on page 8 of this report.

**Long-term debt.** The Library does not have any long-term debt as of June 30, 2007.

## Economic Factors and Next Year's Budgets and Rates

DeWitt Public 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 fiscal year 2008 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 DeWitt Public Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the DeWitt Public Library, 13101 Schavey Road, DeWitt, MI 48820.

## **BASIC FINANCIAL STATEMENTS**

**DEWITT PUBLIC LIBRARY**  
**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Balance sheet general fund modified accrual basis	Adjustments	Statements of net assets
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 300,501	\$	\$ 300,501
State aid receivable	10,819		10,819
Taxes receivable - delinquent	2,018		2,018
Fines receivable - Clinton County	201,342		201,342
Prepaid expenses	13,591		13,591
<b>TOTAL CURRENT ASSETS</b>	<b>528,271</b>		<b>528,271</b>
<b>CAPITAL ASSETS:</b>			
Land		70,000	70,000
Other capital assets, net of accumulated depreciation		714,627	714,627
<b>TOTAL CAPITAL ASSETS</b>		<b>784,627</b>	<b>784,627</b> <sup>(1)</sup>
<b>TOTAL ASSETS</b>	<b>\$ 528,271</b>	<b>784,627</b>	<b>1,312,898</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 24,710		24,710
Accrued salaries and related items	12,531		12,531
Deferred property tax revenue	2,018	(2,018) <sup>(2)</sup>	
<b>TOTAL LIABILITIES</b>	<b>39,259</b>	<b>(2,018)</b>	<b>37,241</b>
<b>FUND BALANCE/NET ASSETS:</b>			
Invested in capital assets, net of related debt		784,627	784,627
Reserved for prepaid expenditures	13,591	(13,591)	
Designated for building and site	150,000	(150,000)	
Unrestricted	325,421	165,609	491,030
<b>TOTAL FUND BALANCE/NET ASSETS</b>	<b>489,012</b>	<b>\$ 786,645</b>	<b>\$ 1,275,657</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 528,271</b>		

<sup>(1)</sup>Capital assets used in governmental activities are not financial resources and are not reported under the modified accrual basis of accounting.

<sup>(2)</sup>Taxes receivable expected to be collected after September 1, 2007

**DEWITT PUBLIC LIBRARY**  
**STATEMENT OF GOVERNMENTAL FUND REVENUE,**  
**EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE/STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2007**

	Statement of revenue, expenditures and changes in fund balance/general fund/modified accrual basis	Adjustments	Statement of activities
<b>REVENUES:</b>			
State aid	\$ 21,726	\$	\$ 21,726
Property taxes	318,321	269 (1)	318,590
Penal fines	201,342		201,342
Fines on books and videos	14,458		14,458
Photocopies	3,028		3,028
Investment income	6,907		6,907
Other	13,812		13,812
	<u>579,594</u>	<u>269</u>	<u>579,863</u>
<b>EXPENDITURES:</b>			
Current:			
Salaries and wages	288,494		288,494
Payroll taxes	21,611		21,611
Personnel benefits and expenses	45,059		45,059
Books and supplies	88,331	(66,419) (2)	21,912
Contractual services	58,877		58,877
Telephone and utilities	25,126		25,126
Insurance	7,687		7,687
Programming	7,020		7,020
Repairs and maintenance	32,124		32,124
Education and training	3,020		3,020
Public relations	6,289		6,289
State aid co-op	10,863		10,863
Miscellaneous	5,390		5,390
Capital outlay	13,703	(3,559) (2)	10,144
Depreciation		109,401 (2)	109,401
	<u>613,594</u>	<u>39,423</u>	<u>653,017</u>
Total expenditures	613,594	39,423	653,017
Net change in fund balance	(34,000)	(39,154)	(73,154)
<b>FUND BALANCE/NET ASSETS, beginning of year</b>	<u>523,012</u>	<u>825,799</u>	<u>1,348,811</u>
<b>FUND BALANCE/NET ASSETS, end of year</b>	<u>\$ 489,012</u>	<u>\$ 786,645</u>	<u>\$ 1,275,657</u>

(1) Delinquent property taxes are reported on the accrual method in the statement of activities, and recorded as revenue when the financial resources are collected in the governmental fund. The adjustment represents funds expected to be collected after September 1.

(2) Governmental funds report capital assets as expenditures in the statement of revenues, expenditures and changes in fund balances. In the statement of activities these expenditures are capitalized and depreciated over their estimated useful lives.

**DEWITT PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

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

The DeWitt Public Library is established in accordance with Michigan Public Act 24 of 1989, also known as The District Library Establishment Act. Its primary purpose is to establish, maintain, and operate a public library. The Library serves the residents of the City of DeWitt, DeWitt Charter Township and Watertown Charter Township. Each governing body respectively appoints three, three and one individual(s) to the seven member board.

The accompanying financial statements present the activity for which the government considers itself financially accountable. The Library has no component units.

**A. 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 the primary government unit.

The Library utilized the financial statement format recommended by the State of Michigan for special purpose entities engaged only in governmental activities.

The Library maintains only one fund, the general fund, which is accounted for as a governmental fund.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

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

Governmental fund financial statements (the balance sheet and statement of revenue, expenditures and changes in fund balances) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes are recognized as revenue the year for which they are levied. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

**DEWITT PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

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

**B. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

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.

**C. Assets, Liabilities and Net Assets or Equity**

1. Cash and Investments

Cash and cash equivalents includes amounts in petty cash, demand deposits and bank certificates of deposit. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value. Currently there are no investments.

State statutes authorized the Library to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Library is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**D. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**DEWITT PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

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

**E. Capital Assets**

Capital assets, which include furniture, equipment, and library books, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. The total of books purchased during the year are capitalized and are depreciated over five years. The Library has elected not to capitalize rare books. Fully depreciated books are removed from the asset schedule. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the primary government, are depreciated using the straight-line method over the following estimated useful live:

Assets	Years
Building and improvements	7 - 40
Library books	5
Furniture and equipment	5 - 10

**F. Compensated Absences**

It is the Library's policy to permit employees to accumulate a limited amount of earned but unused sick leave, which is not paid to employees upon separation from the Library. Unused vacation lapses at the end of the Library's fiscal year. These amounts are not required to be accrued.

**G. Property Taxes**

Property taxes levied by the Library are collected by various municipalities and periodically remitted to the Library. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is mid-February, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the Library levied the following amounts per \$1,000 of assessed valuation.

Fund	Mills
General Fund	0.4998

**DEWITT PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

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

**H. Fund Equity**

In the fund financial statements, the governmental fund may report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**NOTE 2 - LEGAL COMPLIANCE - BUDGETS**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year-end. Any variances from the adopted budget are highlighted on page 11.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Library does not utilize encumbrance accounting.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the adoption of a budget, a public hearing on the proposed budget is conducted within the requirements of the Budget Hearings of Local Governments Act, 1963 PA 43, MCL 141.411-141.415. Notice of the public hearing appears in a local paper at least six days prior to such hearing. The notice includes the time and place of the hearing as well as stating a place where a copy of the budget is available for public inspection.
2. Any revisions of the budget must be approved by the Library Board.
3. The budget is legally enacted through board resolution, generally in May. The budget includes proposed expenditures and the means of financing them.
4. Formal budgetary integration is employed as a management control device during the year for the general fund.
5. Budgets for the general fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Library Board during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
6. The budget is prepared by the activity level and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

**DEWITT PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

As of June 30, 2007, the Library had no investments as defined by generally accepted accounting principles.

**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 June 30, 2007, \$126,075 of the Library's bank balance of \$326,075 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The deposits are comprised of the following:

Deposits - checking, less reconciling items of \$25,574	\$ 195,501
Certificates of deposit	<u>105,000</u>
	<u><u>\$ 300,501</u></u>

The above amounts are reported in the financial statements as follows:

Cash and cash equivalents	<u><u>\$ 300,501</u></u>
---------------------------	--------------------------

**DEWITT PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS**

The capital assets for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 70,000	\$	\$	\$ 70,000
Capital assets being depreciated:				
Building and building improvements	524,379			524,379
Library books and videos	400,053	66,419	52,087	414,385
Furniture and fixtures	173,856	3,559		177,415
Office equipment	217,065			217,065
Total capital assets, being depreciated	<u>1,315,353</u>	<u>69,978</u>	<u>52,087</u>	<u>1,333,244</u>
Less accumulated depreciation for:				
Building and building improvements	111,397	13,005		124,402
Library books and videos	198,313	64,047	52,087	210,273
Furniture and fixtures	107,640	13,383		121,023
Office equipment	143,953	18,966		162,919
Total accumulated depreciation	<u>561,303</u>	<u>109,401</u>	<u>52,087</u>	<u>618,617</u>
Total capital assets, being depreciated - net	<u>754,050</u>	<u>(39,423)</u>		<u>714,627</u>
Total capital assets	<u>\$ 824,050</u>	<u>\$ (39,423)</u>	<u>\$</u>	<u>\$ 784,627</u>

**DEWITT PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - PENSION PLANS**

The Library has a defined contribution pension plan covering all eligible employees. The plan (SEP-IRA) was established by the Board of Trustees who reserves the right to amend all provisions. Plan assets are invested in separate employee accounts with a mutual fund under the provisions of Section 408(k) of the Internal Revenue Code.

The Plan, a defined contribution pension plan, provides pension contributions in return for services rendered, an individual account for each participant, and specifies how contributions to the individual's account are to be determined. Under the Plan, the benefits a participant will receive depend solely on the amount contributed and returns earned on the investment of those contributions.

The Plan requires the employer to contribute, with certain limitations, ten percent of the participating employees gross wages on a fiscal year basis. Employer contributions for the year ended June 30, 2007 and 2006 amounted to \$13,003 and \$12,125, respectively.

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2007 or any of the prior three years.

**NOTE 7 - NATURE AND PURPOSE OF RESERVATIONS AND DESIGNATIONS OF FUND BALANCE**

Designations and reservations exist in the general fund for the following:

Designated - building and site improvements	\$ 150,000
Reserved - prepaid expenses	<u>13,591</u>
	<u><u>\$ 163,591</u></u>

**NOTE 8 - USE OF ESTIMATES**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DEWITT PUBLIC LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2007**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<b>Variance with final budget positive (negative)</b>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 317,800	\$ 317,800	\$ 318,321	\$ 521
Penal fines	198,963	198,963	201,342	2,379
Fines on books and videos	12,103	12,103	14,458	2,355
Photocopies	5,200	5,200	3,028	(2,172)
Investment income	5,530	5,530	6,907	1,377
Other - fund balance	20,000	20,000	13,812	(6,188)
Total local sources	<u>559,596</u>	<u>559,596</u>	<u>557,868</u>	<u>(1,728)</u>
State sources	<u>19,800</u>	<u>19,800</u>	<u>21,726</u>	<u>1,926</u>
Total revenues	<u>579,396</u>	<u>579,396</u>	<u>579,594</u>	<u>198</u>
<b>EXPENDITURES:</b>				
Current:				
Salaries and wages	284,817	284,817	288,494	(3,677)
Payroll taxes	18,000	18,000	21,611	(3,611)
Personnel benefits and expenses	39,250	36,250	45,059	(8,809)
Books and supplies	115,350	84,850	88,331	(3,481)
Contractual services	26,430	84,566	58,877	25,689
Telephone and utilities	26,905	26,905	25,126	1,779
Insurance	7,465	7,465	7,687	(222)
Programming	4,000	4,000	7,020	(3,020)
Repairs and maintenance	29,844	34,344	32,124	2,220
Education and training	3,000	3,000	3,020	(20)
Public relations	7,500	7,500	6,289	1,211
State aid co-op	9,900	9,900	10,863	(963)
Miscellaneous	2,660	6,660	5,390	1,270
Capital outlay	4,000	4,000	13,703	(9,703)
Total expenditures	<u>579,121</u>	<u>612,257</u>	<u>613,594</u>	<u>(1,337)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 275</u>	<u>\$ (32,861)</u>	<u>(34,000)</u>	<u>\$ (1,139)</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>523,012</u>	
End of year			<u>\$ 489,012</u>	

**ADDITIONAL INFORMATION**

**DEWITT PUBLIC LIBRARY  
GENERAL FUND  
BALANCE SHEETS  
JUNE 30, 2007 AND 2006**

<b>ASSETS</b>	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 300,501	\$ 346,229
State aid receivable	10,819	9,964
Taxes receivable - delinquent	2,018	1,749
Fines receivable - Clinton County	201,342	187,214
Prepaid expenses	<u>13,591</u>	<u>17,529</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 528,271</u></u>	<u><u>\$ 562,685</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 24,710	\$ 26,340
Accrued salaries and related items	12,531	11,584
Deferred property tax revenue	<u>2,018</u>	<u>1,749</u>
<b>TOTAL LIABILITIES</b>	<u>39,259</u>	<u>39,673</u>
<b>FUND BALANCE:</b>		
Reserved for prepaid expenses	13,591	17,529
Designated - building and site	150,000	150,000
Unreserved/undesignated	<u>325,421</u>	<u>355,483</u>
<b>TOTAL FUND BALANCE</b>	<u>489,012</u>	<u>523,012</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 528,271</u></u>	<u><u>\$ 562,685</u></u>

**DEWITT PUBLIC LIBRARY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>REVENUES:</b>		
State aid	\$ 21,726	\$ 19,854
Property taxes	318,321	296,026
Penal fines	201,342	187,214
Fines on books and videos	14,458	13,063
Photocopies	3,028	938
Investment income	6,907	6,882
Other	<u>13,812</u>	<u>4,982</u>
 Total revenues	 <u>579,594</u>	 <u>528,959</u>
 <b>EXPENDITURES:</b>		
Current:		
Salaries and wages	288,494	227,641
Payroll taxes	21,611	17,191
Personnel benefits and expenses	45,059	37,712
Books and supplies	88,331	99,929
Contractual services	58,877	26,179
Telephone and utilities	25,126	25,175
Insurance	7,687	7,109
Programming	7,020	5,417
Repairs and maintenance	32,124	28,942
Education and training	3,020	6,373
Public relations	6,289	9,713
State aid co-op	10,863	9,927
Miscellaneous	5,390	2,923
Capital outlay	<u>13,703</u>	<u>15,517</u>
 Total expenditures	 <u>613,594</u>	 <u>519,748</u>
 Net change in fund balance	 (34,000)	 9,211
 <b>FUND BALANCE, beginning of year</b>	 <u>523,012</u>	 <u>513,801</u>
 <b>FUND BALANCE, end of year</b>	 <u><u>\$ 489,012</u></u>	 <u><u>\$ 523,012</u></u>



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

November 27, 2007

To the Board of Trustees  
DeWitt Public Library  
DeWitt, Michigan

In planning and performing our audit of the financial statements of DeWitt Public Library as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered DeWitt Public Library's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report on the financial statements of DeWitt Public Library. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

### **Prior Year Repeat Comments**

#### **Invoice Cancellation**

Upon examination of invoices, it was noted that invoices are not marked as paid. We recommend obtaining a stamp which would be used to mark "PAID" on the face of the invoice. This procedure will help deter against double payment. The account distribution should also be noted on the face of the invoice along with the date the invoice was paid.

#### **Excess Budget Expenditures**

We noted that actual expenditures exceeded that of the adopted budget. If expenditures are to exceed budgeted amounts, the budget must be amended. The amendment must be approved by the Board prior to the expenditure being made. The budget may not be amended after year-end. You may wish to have your contracted accountant assist you with this process.

### **Current Year Comments**

#### **Initial Listing of Cash Receipts**

We noted during the course of our audit that an initial listing of cash receipts is now being prepared as recommended in the prior year's letter. To further improve the process, the Director should not open the mail and the staff designated to open mail should record all amounts on the listing prior to turning over the actual checks to the Director for recording and deposit. Also, a responsible individual currently does not review the listing and compare it to bank deposits and the bank statement. A copy of the initial listing should be sent to the outside accounting firm and should be compared to the bank statement and general ledger by the outside accounting firm. Any discrepancies should be brought to the attention of the Board.

### **Payment Approval**

We noted that the prior year recommendation was implemented to have the Board approve every disbursement prior to payment. Documentation could be improved by having the check register printed when the expenditures are approved, and having a board member initial the listing as proof of the approval to pay. You may also list the total from the check listing in the minutes.

### **Bank Reconciliation**

The Library Treasurer should initial all bank statements to document the review then mail the statements directly to the outside accounting firm along with all cancelled checks. The Director should not receive the bank statement until the reconciliation has been performed. All cancelled checks should be reviewed by the Treasurer and the outside accounting firm. Bank statements should be reconciled monthly.

### **Credit Cards**

We noted that a receipt could not be located for every charge on the credit card statement. All employees should be held accountable for turning in credit card receipts. All receipts should be matched to credit card statements on a monthly basis and any discrepancies should be noted and reported to senior management and the Board. All credit card statements should be initialed by the Director to document approval.

To the Board of Trustees  
DeWitt Public Library  
DeWitt, Michigan

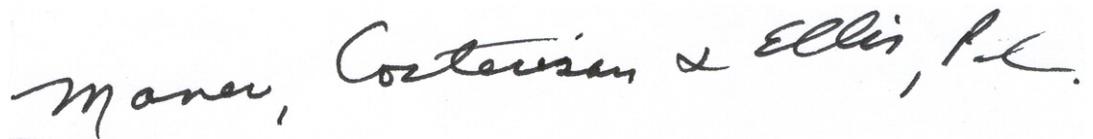
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November 27, 2007

This report is intended solely for the information and use of management, the Board of Trustees, others within the Library, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,



*Maner, Costarsian & Ellis, P.C.*



Lamonte T. Lator  
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November 27, 2007

To the Board of Trustees  
DeWitt Public Library  
DeWitt, Michigan

We have audited the financial statements of DeWitt Public Library for the year ended June 30, 2007, and have issued our report thereon dated November 27, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated July 20, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of DeWitt Public Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by DeWitt Public Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by DeWitt Public Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were estimated fixed asset lives for depreciation.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Library's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Library, either individually or in the aggregate, indicate matters that could have a significant effect on the Library's financial reporting process.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Trustees  
DeWitt Public Library  
DeWitt, Michigan

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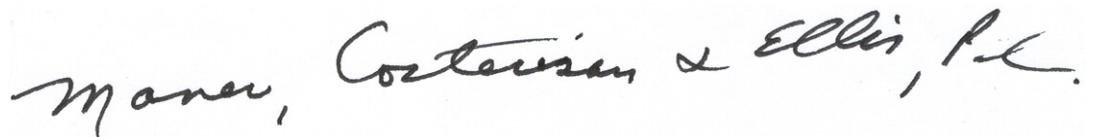
November 27, 2007

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of DeWitt Public Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Maner, Costarsian & Ellis, P.C.