

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

CHESTERFIELD TOWNSHIP LIBRARY

Chesterfield, Michigan
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
PREPARED IN ACCORDANCE WITH GASB 34
December 31, 2007

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		LIBRARY	Local Unit Name CHESTERFIELD TOWNSHIP LIBRARY	County MACOMB
Fiscal Year End 12/31/2007	Opinion Date 05/30/2008	Date Audit Report Submitted to State 06/23/2008		

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 checked="" type="checkbox"/>		
Other (Describe)		<input checked="" type="checkbox"/>	SAS #114 LETTER	
Certified Public Accountant (Firm Name) BUSS & COMPANY, P.C.			Telephone Number 586-263-8200	
Street Address 42550 GARFIELD, SUITE 105			City CLINTON TWP.	State MI
			Zip 48038	
Authorizing CPA Signature 		Printed Name JOHN E. GIDEON		License Number 1101007016

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
TABLE OF CONTENTS
December 31, 2007

<u>PAGE NO.</u>		
1-2	INDEPENDENT AUDITOR'S REPORT	
3-4	MANAGEMENT'S DISCUSSION AND ANALYSIS	
	BASIC FINANCIAL STATEMENTS:	Exhibit
	Government-Wide Financial Statements:	
5	Statement of Net Assets	1
6	Statement of Activities	2
	Governmental Fund Financial Statements:	
7	Comparative Balance Sheet	3
8	Reconciliation of Fund Balance to the Statement of Net Assets	4
9	Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	5
10	Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balance to the Statement of Activities	6
11-17	NOTES TO FINANCIAL STATEMENTS	
	REQUIRED SUPPLEMENTAL INFORMATION	Schedule No.
18	Budgetary Comparison Schedule	1

INDEPENDENT AUDITOR'S REPORT

May 30, 2008

Board of Trustees
Chesterfield Township Library
Chesterfield, Michigan

Honorable Members:

We have audited the accompanying financial statements of the Chesterfield Township Library, a component unit of the Charter Township of Chesterfield, as of December 31, 2007, and for the year then ended. These 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.

As discussed in Note I A, the financial statements present only the Chesterfield Township Library and are not intended to present fairly the financial position and changes in financial position for the year then ended of Charter Township of Chesterfield, County of Macomb, Michigan, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Chesterfield Township Library as of December 31, 2007, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Board of Trustees
Chesterfield Township Library
May 30, 2008
Page 2

The management's discussion and analysis on pages 3 through 4 and budgetary comparison schedule on page 18, are not a required part of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully,

BUSS & COMPANY, P.C.



Certified Public Accountants

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CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007

Using this Annual Report

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

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the Library's overall financial status. The statement of net assets and the statement of 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 governmental fund financial statements include information on the Library under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

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 supplemental information* that further explains and supports the information in the financial statements.

Condensed Financial Information

In a condensed format, the table below shows a comparison of key financial information for the current year to the prior year.

	<u>2007</u>	<u>2006</u>
Current Assets	\$3,687,494	\$3,533,959
Capital Assets	<u>569,937</u>	<u>530,245</u>
Total Assets	<u>\$4,257,431</u>	<u>\$4,064,204</u>
Other Liabilities	<u>\$1,301,211</u>	<u>\$1,201,677</u>
Total Liabilities	<u>\$1,301,211</u>	<u>\$1,201,677</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 569,937	\$ 530,245
Restricted	1,243,846	1,201,306
Unrestricted	<u>1,142,437</u>	<u>1,130,976</u>
Total Net Assets	<u>\$2,956,220</u>	<u>\$2,862,527</u>
Revenue:		
Property taxes	\$1,145,054	\$1,061,416
Other	<u>287,784</u>	<u>230,791</u>
Total Revenue	\$1,432,838	\$1,292,207
Expenses - Library Services	<u>1,381,685</u>	<u>1,097,905</u>
Net Revenue	\$ 51,153	\$ 194,302
Restricted Contributions	42,540	1,201,306
Transfers	<u>-</u>	<u>7,166</u>
Change in Net Assets	<u>\$ 93,693</u>	<u>\$1,402,774</u>

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
December 31, 2007

Condensed Financial Information (Continued)

- The Library's net assets increased by \$93,693 this year. The primary reason for the increase is the continued growth of the Library's property tax base, which increased 7.8% from the prior year and a restricted contribution of \$42,540.
- The Library's primary source of revenue is from property taxes, which represents 80% of total revenue.
- Total expenses were 96% of total revenue for 2007. Salaries amount to approximately 40% of total expenses. Benefits amount to 15% of total expenses.

The Library's Fund

Our analysis of the Library's fund is included on pages 7 and 9. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages. All of the Library's activities are reported in a single fund.

The fund balance of the Library increased during the current year by \$19,672. Revenues exceeded budgeted amounts by \$179,338 due primarily to property taxes, interest, and donations increasing more than expected. Actual expenditures exceeded budgeted expenditures by \$63,146, due primarily to capital acquisitions from donated funds.

Library Budgetary Highlights

Over the course of the year, the Library may revise its budget as it attempts to deal with unexpected changes in revenues and expenditures. The unfavorable variance in the capital outlay account relates to items purchased through the Suburban Library Cooperative's centralized purchasing account and the recording of donated items not considered during the budgeting process.

Capital Assets

At the end of the fiscal year, the Library had \$569,937 invested in building improvements, furniture and fixtures, equipment, and books and materials. The Library added \$148,447 in new collection items consisting of new books and various audio/visual materials, equipment and building improvements. The total amount of collection materials disposed had a cost basis of \$84,450, which had a net book value of \$ -0- .

Economic Factors and Considerations for Next Year

The Library's tax base continues to increase with the growth of the Township. The Library needs to continue monitoring the budget to plan for and accommodate yearly increases in health care benefits and employee costs in order to maintain a stable and dedicated staff while being fiscally conservative with revenues and expenditures.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director, at 50560 Patricia Avenue, Chesterfield Township, Michigan 48051.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
STATEMENT OF NET ASSETS
December 31, 2007

ASSETS

Cash and cash equivalents	\$ 214,080
Investments	1,093,540
Taxes receivable	1,113,730
Due from other governmental units	16,736
Prepays and other assets	107
Contribution receivable	1,249,301
Capital assets	<u>569,937</u>
Total Assets	<u>\$4,257,431</u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 38,223
Accumulated employee leave benefits	49,716
Deferred revenue	<u>1,213,272</u>
Total Liabilities	<u>\$1,301,211</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 569,937
Restricted	1,243,846
Unrestricted	<u>1,142,437</u>
Total Net Assets	<u>\$2,956,220</u>

See accompanying notes to financial statements.

Buss & Company, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

<u>FUNCTION/PROGRAM:</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
Governmental Activities:				
Library services/operations	<u>\$1,381,685</u>	<u>\$ 38,982</u>	<u>\$109,677</u>	<u>(\$1,233,026)</u>
	<u>GENERAL REVENUES:</u>			
				\$1,145,054
				69,387
				<u>69,738</u>
				<u>Total General Revenues</u>
				<u>\$1,284,179</u>
				NET REVENUE - GOVERNMENTAL ACTIVITIES
				\$ 51,153
				RESTRICTED CONTRIBUTIONS
				<u>42,540</u>
				CHANGE IN NET ASSETS
				\$ 93,693
				<u>NET ASSETS:</u>
				Beginning of year
				<u>2,862,527</u>
				End of year
				<u>\$2,956,220</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
COMPARATIVE BALANCE SHEET
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 214,080	\$ 125,360
Investments	1,093,540	1,141,515
Taxes receivable	1,113,730	1,052,346
Due from other governmental units	16,736	13,137
Due from others	107	295
Contribution receivable	<u>1,249,301</u>	<u>1,201,306</u>
 Total Assets	 <u>\$3,687,494</u>	 <u>\$3,533,959</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES:</u>		
Accounts payable	\$ 38,223	\$ 15,156
Deferred revenue - Grants	5,429	4,025
Deferred revenue - Property taxes	1,207,843	1,140,991
Deferred revenue - Other	<u>1,243,846</u>	<u>1,201,306</u>
 Total Liabilities	 <u>\$2,495,341</u>	 <u>\$2,361,478</u>
<u>FUND BALANCE:</u>		
Reserved for prepaid expenditures and material purchases	\$ 27,976	\$ 21,198
Designated	778,745	701,745
Unreserved, Undesignated	<u>385,432</u>	<u>449,538</u>
 Total Fund Balance	 <u>\$1,192,153</u>	 <u>\$1,172,481</u>
 Total Liabilities and Fund Balance	 <u>\$3,687,494</u>	 <u>\$3,533,959</u>

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS
For The Year Ended December 31, 2007

TOTAL FUND BALANCE - MODIFIED ACCRUAL BASIS \$1,192,153

Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds 569,937

Accumulated employee leave benefits are not due and payable in the current period and therefore are not reported in the funds (49,716)

Contributions receivable are not available to pay for current period expenditures and therefore are deferred in the funds 1,243,846

NET ASSETS - FULL ACCRUAL BASIS \$2,956,220

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For The Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>REVENUES:</u>		
Property taxes	\$1,145,054	\$1,061,416
Penal fines	39,820	50,241
State aid	29,567	27,019
Charges, fees, and fines	33,494	35,290
Interest and investment earnings	69,738	61,915
Donations	90,394	33,622
Grants and reimbursements	19,283	18,365
Miscellaneous	<u>5,488</u>	<u>4,339</u>
Total Revenues	<u>\$1,432,838</u>	<u>\$1,292,207</u>
<u>EXPENDITURES:</u>		
Salaries and wages	\$ 554,029	\$ 478,886
Benefits	200,728	150,789
Supplies	32,219	31,787
Contractual services	242,246	125,042
Insurance	10,173	12,021
Utilities	39,680	36,651
Maintenance	1,162	2,907
Lease	109,800	106,800
Miscellaneous	6,155	19,447
Capital outlay	<u>216,974</u>	<u>145,235</u>
Total Expenditures	<u>\$1,413,166</u>	<u>\$1,109,565</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 19,672	\$ 182,642
<u>OTHER FINANCING SOURCES:</u>		
Transfer from Charter Township of Chesterfield	<u>-</u>	<u>7,166</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ 19,672	\$ 189,808
FUND BALANCE - JANUARY 1	<u>1,172,481</u>	<u>982,673</u>
FUND BALANCE - DECEMBER 31	<u>\$1,192,153</u>	<u>\$1,172,481</u>

See accompanying notes to financial statements.

Buss & Company, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2007

NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS \$ 19,672

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.

Depreciation expense	(\$ 108,755)	
Capital outlay - in excess of \$2,000	<u>148,447</u>	
Total		39,692

Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.

Deferred revenue - Beginning	(\$1,201,306)	
Deferred revenue - Ending	<u>1,243,846</u>	
Total		42,540

Governmental funds report proceeds from fixed asset disposals in the statement of activities, losses on disposals are reported.

Expenses for employee leave benefits are recorded when earned in the statement of activities:

Reversal of employee leave benefits earned in 2006	\$ 41,505	
2007 earned employee leave benefits	<u>(49,716)</u>	
Total Effect of Employee Leave Benefits		<u>(8,211)</u>

CHANGE IN NET ASSETS - FULL ACCRUAL BASIS \$ 93,693

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Chesterfield Township 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:

A. GOVERNMENTAL REPORTING ENTITY

The Library is located in the Charter Township of Chesterfield, Michigan and is governed by an elected six-member board. The Library was formed under P.A. 164 of 1877 and remains a fund of the Township. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board and include only the results of operations of the Library.

B. GOVERNMENT-WIDE AND FUND 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.

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; and unrestricted net assets.

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

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 revenue to be available if it is 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Library reports all of its activities in a single fund on the modified accrual basis.

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2007

C. **ASSETS, LIABILITIES AND FUND EQUITY**

Cash and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

Receivables and Payables - Property taxes receivable represent uncollected property taxes levied on December 1, 2007.

Chesterfield Township property tax is levied on each December 1st on the taxable value of property (as defined by state statutes) located in the Township.

Although the Library's 2007 property tax is levied and collectible on December 1, 2007, it is the Library's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of the Township totals approximately \$1.8 billion, on which ad valorem taxes levied consisted of 6.465 mills for Library operations, raising \$1,207,843 for Library operating purposes. This amount is recognized in the financial statements as taxes receivable with an offsetting credit to deferred revenue. Taxes receivable has been reduced for amounts received during 2007.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$2,000 and an estimated useful life in excess of two years. Due to the significance of the Library's annual acquisition of Library books and materials and the shelf life on most materials extended beyond two years, annual acquisitions of books and materials are treated as capitalized assets in order to spread their cost over their estimated useful life. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	5-20 years
Improvements	25 years
Library books and materials	5-7 years

Compensated Absences - Employees of the Library earn leave benefits on an annual basis. Employees are required to use a portion of the leave each year and are compensated for any remaining balance each December. A liability exists for annual leave pay which is earned during 2007 to be used in 2007 because the Library has a policy to pay unused amounts upon separation. A liability for annual leave benefits has been accrued in the government-wide financial statements.

Fund Equity - In the fund financial statements, governmental funds 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. Designation of fund balance represents tentative management plans that are subjective to change.

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2007

C. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Reservations of equity show amounts that are not appropriate for expenditure or are legally restricted for specific uses.

Designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes, but are not legally restricted. Designated equity is intended for the following purpose:

General Fund	\$778,745	Provide funding for building or future expansion
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II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with generally accepted accounting principles is formally adopted for the Library. The budget can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended December 31, 2007, the Library incurred expenditures in certain budgeted line items which were in excess of the amounts appropriated as follows:

<u>GENERAL FUND:</u>	<u>BUDGET</u> <u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	<u>BUDGET</u> <u>VARIANCE</u>
Benefits	\$193,300	\$200,728	\$ 7,428
Contractual services	234,620	242,246	7,626
Capital outlay	141,500	216,974	75,474

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Library in accordance with Public Act 20 of 1943 (as amended) authorizes investments in U.S. Treasuries, U.S. Agencies, instrumentalities, certificates of deposit, commercial paper (meeting certain rating and maturity requirements), investment pools and mutual funds.

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2007

A. **DEPOSITS AND INVESTMENTS** (Continued)

At year-end the Library's deposits and investments were reported in the basic financial statements in the following categories:

Cash and cash equivalents	\$ 214,080
Investments	<u>1,093,540</u>
Total	<u>\$1,307,620</u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	\$ 112,614
Investments in securities, mutual funds and similar vehicles	1,093,540
Cash on hand	<u>101,466</u>
Total	<u>\$1,307,620</u>

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk.

At year end, bank deposits were reflected in the accounts of the bank at \$101,980. Of that amount \$100,000 was covered by federal depository insurance and \$1,980 was uninsured and uncollateralized. The Library believes that due to dollar amounts of cash deposits and the limits of FDIC insurance, it is not always practical to insure all bank deposits. As a result, the Library evaluates each financial institution it deposits Library funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits investments in commercial paper to the top two ratings. The Library's investment policy does not place additional limitations relating to credit risk. As of year end, the Library held the following investment:

	<u>FAIR VALUE</u>	<u>RATING</u>
Bank investment pool	\$1,093,540	Not Rated

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2007

B. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2007 follows:

<u>CAPITAL ASSETS BEING DEPRECIATED:</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ENDING BALANCE</u>
Improvements	\$132,360	\$ 9,765	\$ -	\$ 142,125
Furniture and equipment	88,532	22,164	-	110,696
Library books and material	<u>751,914</u>	<u>116,518</u>	<u>84,450</u>	<u>783,982</u>
	<u>\$972,806</u>	<u>\$148,447</u>	<u>\$ 84,450</u>	<u>\$1,036,803</u>
Accumulated depreciation	<u>(442,561)</u>	<u>(108,755)</u>	<u>(84,450)</u>	<u>(466,866)</u>
Net Book Value	<u>\$530,245</u>	<u>\$ 39,692</u>	<u>\$ -</u>	<u>\$ 569,937</u>

C. LEASES

The Library leases its current facility under an operating lease dated April 23, 2005. Monthly rent payments are \$9,300. The Library is also responsible for insurance and utilities. Rent expense for the year ended December 31, 2007 was \$109,800. The lease term ends July 15, 2010.

The future minimum annual lease expense under this agreement is as follows:

2008	\$113,400
2009	117,000
2010	<u>59,400</u>
Total	<u>\$289,800</u>

IV. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workers' compensation benefits provided to employees. The Library has purchased commercial insurance to cover potential claims.

V. DEFERRED COMPENSATION PLAN

The Library has adopted a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries and may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Library's financial statements.

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2007

VI. DEFINED BENEFIT PENSION PLAN

The library participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit plan that covers all full-time employees. The system provides retirement benefits to plan members. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the MERS. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the MERS for these full-time employees was established by the Chesterfield Township Library's Board of Trustees and requires a contribution from the employees of 3% of gross wages and a contribution from the employer for 2007 of 8.55% of participating employees' gross wages.

VII. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

Annual Pension Cost and Three-Year Trend Information

The library began participating in the MERS plan in 2004. During 2004, \$129,290 was transferred from the defined contribution plan to MERS for those employees who changed plans. For the years ended December 31, 2007 and 2006, the library's annual pension cost of \$37,963 and \$23,576, respectively, for the plan was equal to the library's required contribution. The fair market value of the plan's assets approximated \$558,238 at December 31, 2007. The 2007 annual required contribution was determined as part of the actuarial valuation as of December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8% investment rate of return, and (b) projected salary increases of 4.5% per year plus percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

Additional actuarial information for the MERS is as follows:

	DECEMBER 31, 2006	DECEMBER 31, 2005	DECEMBER 31, 2004
Actuarial value of assets	\$415,517	\$349,358	\$242,233
Actuarial accrued liability (AAL)	441,007	349,876	269,247
Unfunded AAL (UAAI)	25,490	518	27,014
Funded ratio	94%	100%	90%
Covered payroll	304,711	273,465	243,926
UAAI as a percentage of covered payroll	8%	0%	11%

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2007

VIII. RESTRICTED CONTRIBUTION

During 2006, the Library received a bequest from Betty Lou Tobin. The approximate value of the contribution is \$1.2 million. Payment of the contribution will take place over a ten year period. Each year the Library will receive all of the income and up to 10% of the Trust principal. The funds are restricted for the acquisition of books of all types, including large print books, books on audio tape or similar devices, computers, including software and hardware as well as for furnishings within the Library building. The funds cannot be used for wages, employee benefits or the construction of a library building. \$56,725 was received by the Library during 2007.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
BUDGETARY COMPARISON SCHEDULE
For The Year Ended December 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u> <u>(BUDGETARY BASIS)</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES:</u>				
Property taxes	\$1,100,000	\$1,100,000	\$1,145,054	\$ 45,054
Penal fines	40,000	40,000	39,820	(180)
State aid	27,000	27,000	29,567	2,567
Charges, fees and fines	30,500	30,500	33,494	2,994
Interest and investment earnings	40,000	40,000	69,738	29,738
Donations	1,500	1,500	90,394	88,894
Grants and reimbursements	14,000	14,000	19,283	5,283
Miscellaneous	<u>500</u>	<u>500</u>	<u>5,488</u>	<u>4,988</u>
 Total Revenues	 <u>\$1,253,500</u>	 <u>\$1,253,500</u>	 <u>\$1,432,838</u>	 <u>\$179,338</u>
<u>EXPENDITURES:</u>				
Salaries and wages	\$ 566,100	\$ 566,100	\$ 554,029	\$ 12,071
Benefits	193,300	193,300	200,728	(7,428)
Supplies	35,200	35,200	32,219	2,981
Contractual services	138,100	234,620	242,246	(7,626)
Insurance	15,000	15,000	10,173	4,827
Utilities	40,700	40,700	39,680	1,020
Maintenance	3,300	3,300	1,162	2,138
Lease	109,800	109,800	109,800	-
Miscellaneous	10,500	10,500	6,155	4,345
Capital outlay	<u>141,500</u>	<u>141,500</u>	<u>216,974</u>	<u>(75,474)</u>
 Total Expenditures	 <u>\$1,253,500</u>	 <u>\$1,350,020</u>	 <u>\$1,413,166</u>	 <u>(\$ 63,146)</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>\$ -</u>	 <u>(\$ 96,520)</u>	 <u>\$ 19,672</u>	 <u>\$116,192</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

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John E. Gideon, C.P.A.
Thomas J. Thomas, C.P.A.
Joseph M. Brandenburg, C.P.A.
Randy A. Carlier, C.P.A.

May 30, 2008

Board of Trustees
Chesterfield Township Library
Chesterfield Township, Michigan

Re: Supplemental System and Internal
Control Comments and Recommendations
in conjunction with audit for the year
ended December 31, 2007

Honorable Members:

In planning and performing our audit of the financial statements of Chesterfield Township Library for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. The following items are presented that could affect Chesterfield Township Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Library Classification

The Library was formed under P.A. 164 of 1877. As of December 31, 2007, it remains a fund of the Charter Township of Chesterfield even though the Library has an independent board. The Library and the Township have properly adopted a system for the receipt and expenditure of Library funds through the Township's Treasurer's Office.

Budgeting

The Library has established a budgeting process which is used to control expenditures. We have reviewed the budgets for compliance with the Uniform Budgeting and Accounting Act P.A. 621 of 1978. The act requires that expenditures in a specific appropriations account beyond the amount of the original budget (general appropriations act), be approved by the Board with a transfer or supplemental

appropriation. During the year ended December 31, 2007, the Library incurred expenditures in a budgeted category which were in excess of the amounts appropriated by the Board. The specific budget variance is detailed in note II of the annual financial report.

Fund Balance

During 2007, the Library's General Fund revenues and other financing sources exceeded expenditures by \$19,672. As a result, General Fund equity increased to \$1,192,153 at December 31, 2007.

A portion of the fund equity, \$27,976, is reserved for material purchases. The board has designated \$778,745 for construction of a building or future expansion, and \$385,432 is unreserved and undesignated. By maintaining an appropriate fund equity, the Library is able to meet unforeseen circumstances without affecting the level of programs for the year. The Library's unreserved, undesignated fund equity is equal to approximately 27% of expenditures, or 14 weeks of operation.

Grants and Restricted Funds

The Library has been fortunate to receive numerous grants and donations that are restricted for specific purposes. Many of these amounts remained unspent at December 31, 2007. Accounting for these funds and tracking the expenditures over an extended period can be difficult. Management has implemented procedures to monitor these funds and encourage use of these funds for their intended purpose in a more timely manner.

This communication is intended solely for the information and use of the Board of Trustees, management, and others within the administration of the Chesterfield Township Library. This restriction is not intended to limit distribution of this report which, upon acceptance by the Board of Trustees, is a matter of public record.

Board of Trustees
Chesterfield Township Library
May 30, 2008
Page 3

We appreciate the cooperation of the Library staff and trustees during our audit.

Respectfully submitted,

BUSS & COMPANY, P.C.

A handwritten signature in black ink that reads "Busse & Company, P.C." in a cursive style.

Certified Public Accountants

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BUSS & COMPANY, P.C.

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May 30, 2008

Board of Trustees
Chesterfield Township Library
Chesterfield Township, Michigan

We have audited the financial statements of Chesterfield Township Library for the year ended December 31, 2007, and have issued our report thereon dated May 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 28, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters with Marion A. Lusardi, Director, as reflected in our engagement letter dated January 28, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the 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 Chesterfield Township Library are described in Note I to the financial statements. No new significant accounting policies were adopted and the application of existing policies were not changed during 2007. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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. There were no estimates affecting the financial statements which were deemed sensitive in nature.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 30, 2008, a copy which is available from management.

Board of Trustees
Chesterfield Township Library
May 30, 2008
Page 3

Management 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 Library'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.

Other Audit Findings or Issues

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.

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

Very truly yours,

BUSS & COMPANY, P.C.

A handwritten signature in cursive script that reads "Buss & Company, P.C.".

Certified Public Accountants