

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 HAZEL PARK MEMORIAL LIBRARY		County OAKLAND	
Fiscal Year End 06/30/07		Opinion Date NOVEMBER 07, 2007		Date Audit Report Submitted to State			

We affirm that:

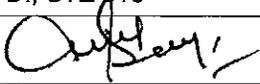
We are certified public accountants licensed to practice in Michigan.

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).

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

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

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

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	NOT REQUIRED	
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ALAN C YOUNG & ASSOCIATES, P.C.			Telephone Number (313) 873 7500	
Street Address 2990 W. GRAND BLVD., STE 310			City DETROIT	State Zip MI 48202
Authorizing CPA Signature 		Printed Name ANIL SAKHUJA		License Number 110102118

Hazel Park Memorial Library

**Financial Report
with Supplemental Information
June 30, 2007**

Hazel Park Memorial Library

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**Alan C.
Young & Associates, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

2990 W. Grand Blvd., Suite 310
Detroit, MI 48202

(313) 873-7500
(313) 873-7502 (Fax)
www.alancyoung.com

Independent Auditor's Report

To the Board of Directors
Hazel Park Memorial Library

We have audited the accompanying basic financial statements of the Hazel Park Memorial Library as of and for the year ended June 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Hazel Park Memorial Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Hazel Park Memorial Library as of June 30, 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.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Alan C. Young; Assoc.

November 7, 2007

Hazel Park Memorial Library

General Fund Balance Sheet/Statement of Net Assets June 30, 2007

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and cash equivalents (Note 3)	\$ 223,587	\$ -	\$ 223,587
Depreciable capital assets - Net (Note 4)	<u>-</u>	<u>821,415</u>	<u>821,415</u>
Total assets	<u>\$ 223,587</u>	821,415	1,045,002
Liabilities			
Accounts payable	\$ 8,164	-	8,164
Accrued and other liabilities	13,782	-	13,782
Long-term liabilities (Note 7):			
Accumulated employee benefits, due within one year	-	6,791	6,791
Accumulated employee benefits, due in more than one year	<u>-</u>	<u>24,416</u>	<u>24,416</u>
Total liabilities	21,946	31,207	53,153
Fund Balance - Undesignated	<u>201,641</u>	<u>(201,641)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 223,587</u>	<u>(170,434)</u>	
Net Assets			
Invested in capital assets - Net of related debt		821,415	821,415
Unrestricted		<u>170,434</u>	<u>170,434</u>
Total net assets		<u>\$ 991,849</u>	<u>\$ 991,849</u>

Hazel Park Memorial Library

Statement of General Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2007

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
Operating Revenue			
Property taxes	\$ 467,352	\$ -	\$ 467,352
State aid	8,025	-	8,025
Penal fines	30,376	-	30,376
Donations	10,521	-	10,521
Interest	31,022	-	31,022
Other	18,875	-	18,875
Total operating revenue	566,171	-	566,171
Operating Expenditures			
Salaries and fringes	312,002	10	312,012
Supplies	11,753	-	11,753
Professional services	44,723	-	44,723
Utilities	27,723	-	27,723
Maintenance	18,869	(2,286)	16,583
Insurance	14,402	-	14,402
Collection	49,877	(49,877)	-
Capital outlay	6,674	(6,674)	-
Depreciation	-	155,792	155,792
Other operating expenditures	7,804	-	7,804
Total operating expenditures	493,827	96,965	590,792
Change in Fund Balance/Net Assets	72,344	(96,965)	(24,621)
Fund Balance/Net Assets - July 1, 2006	129,297	887,173	1,016,470
Fund Balance/Net Assets - June 30, 2007	\$ 201,641	\$ 790,208	\$ 991,849

Hazel Park Memorial Library

**Notes to Financial Statements
June 30, 2007**

Note I - Nature of Organization and Summary of Significant Accounting Policies

Hazel Park Memorial Library (the "Library") is located in the City of Hazel Park, Michigan. The Library is primarily funded through a tax levy, fines, and fees. Revenue is used to operate and staff the Library.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Hazel Park Memorial Library:

Reporting Entity

The Library is governed by a six-member elected board. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

Modified Accrual and Full Accrual Data

The Library has one fund, the General Fund, which is the Library's primary operating fund.

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

Hazel Park Memorial Library

Notes to Financial Statements June 30, 2007

Note I - Nature of Organization and Summary of Significant Accounting Policies (Continued)

In addition to presenting information for the General Fund on the modified accrual basis (as budgeted), the basic financial statements present information for the Library as a whole, using the economic resources measurement focus and the accrual basis of accounting. This information is intended to demonstrate the degree to which taxpayers have funded the full cost of services received. Revenue is 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.

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

Financial Statement Amounts

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Capital Assets - Generally, capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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:

Building improvements	10-20 years
Furniture and equipment	5-20 years
Collection	3-5 years

Hazel Park Memorial Library

**Notes to Financial Statements
June 30, 2007**

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

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

Property Taxes - Properties are assessed as of December 31. The related property taxes are billed on July 1 and become a lien on the following December 1. The taxes are due on February 14, with the final collection date of February 28 before they are added to the county tax rolls.

The 2006 taxable valuation totaled approximately \$329 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 1.5151 mills for operating purposes. This resulted in approximately \$465,000 in tax revenue.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Hazel Park Memorial Library

Notes to Financial Statements June 30, 2007

Note 2 - Reconciliation of General Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Library's General Fund differs from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance on the modified accrual basis of accounting to net assets presented on the full accrual basis:

Total Fund Balance - Modified accrual basis	\$ 201,641
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	821,415
Compensated absences are included as a liability	<u>(31,207)</u>
Net Assets - Full accrual basis	<u>\$ 991,849</u>

The following is a reconciliation of the changes in fund balance on the modified accrual basis to the change in net assets on the full accrual basis:

Net Change in Fund Balances - Modified accrual basis	\$ 72,344
Amounts reported in the statement of activities are different because:	
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Library books, periodicals, audiovisual materials, etc.	49,877
Capitalized capital outlay	8,960
Depreciation	<u>(155,792)</u>
Accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>(10)</u>
Change in Net Assets - Full accrual basis	<u>\$ (24,621)</u>

Hazel Park Memorial Library

**Notes to Financial Statements
June 30, 2007**

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures 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 that are legal for direct investment by local units of government in Michigan.

The Library does not have any specified financial institutions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the authorized investment vehicles listed above. The Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash and investments are subject to two 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, the Library had approximately \$254,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a policy for custodial credit risk. At year end, the Library had no investment securities that were uninsured and unregistered, held by the counterparty, or by its trust department or agent but not in the Library's name.

Hazel Park Memorial Library

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets

Capital asset activity of the Library is as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets being depreciated:				
Building improvements	\$ 36,896	\$ -	\$ -	\$ 36,896
Furniture and equipment	397,998	8,960	-	406,958
Collections - Library books, CDs, and audio/visual	<u>1,380,000</u>	<u>49,877</u>	<u>(5,000)</u>	<u>1,424,877</u>
Subtotal	1,814,894	58,837	(5,000)	1,868,731
Accumulated depreciation	<u>(896,524)</u>	<u>(155,792)</u>	<u>5,000</u>	<u>(1,047,316)</u>
Net capital assets being depreciated	<u>918,370</u>	<u>(96,955)</u>	<u>-</u>	<u>821,415</u>
Net capital assets	<u>\$ 918,370</u>	<u>\$ (96,955)</u>	<u>\$ -</u>	<u>\$ 821,415</u>

Note 5 - Budget Information

The annual budget is prepared by the Library director and adopted by the Library board; subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the Library board can be seen by examining the totals in the budgetary comparison schedule - General Fund in the required supplementary information section.

Excess of Expenditures Over Appropriations - During the year, the Library incurred expenditures that were in excess of the amounts budgeted as follows:

	Amended Budget	Actual	Variance
Miscellaneous operating supplies	\$ 1,600	\$ 1,609	\$ (9)
Heat	8,650	10,369	(1,719)

Hazel Park Memorial Library

**Notes to Financial Statements
June 30, 2007**

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for property loss, torts, errors and omissions, and employee injuries (workers' compensation claims) through the Michigan Municipal League. The Library participates in the City of Hazel Park's self-insurance program for medical benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Library pays premiums to the City of Hazel Park's medical benefits self-insurance program. The City uses premiums collected from the Library and from City funds to pay for healthcare benefits for Library and City employees. Although premiums are paid to the City's self-insurance program and those premiums are used to pay claims, the ultimate liability for those claims remains with the Library.

Note 7 - Defined Benefit Pension Plan

Plan Description - During the year ended June 30, 2007, along with the City of Hazel Park, the Library began to participate in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City and the Library. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units. The funding policy provides for periodic employer contributions at actuarially determined rates. The Library made a contribution to the plan for the year ended June 30, 2007 of \$15,363.

Note 8 - Postemployment Benefits

The Library provides healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, there is one retiree eligible. The Library includes pre-Medicare retirees and their dependants in its insured health care plan, with no contribution required by the participant. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due; there were \$22,145 of expenditures during the year.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the full accrual statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Required Supplemental Information

Hazel Park Memorial Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Originally Adopted Budget	Final Amended Budget	Actual Balance	Variance Favorable (Unfavorable)
Operating Revenue				
Property taxes	\$ 455,500	\$ 455,500	\$ 467,352	\$ 11,852
State aid	13,600	13,600	8,025	(5,575)
Penal fines	25,000	25,000	30,376	5,376
Donations	10,000	10,000	10,521	521
Interest	7,500	7,500	31,022	23,522
Other	17,850	17,850	18,875	1,025
Total operating revenue	529,450	529,450	566,171	36,721
Operating Expenditures				
Salaries and fringes	347,250	348,350	312,002	36,348
Supplies	12,600	12,600	11,753	847
Professional services	51,500	53,150	44,723	8,427
Utilities	30,700	31,350	27,723	3,627
Maintenance	23,800	24,562	18,869	5,693
Insurance	17,000	14,402	14,402	-
Collection	48,500	50,175	49,877	298
Capital outlay	10,000	10,000	6,674	3,326
Other operating expenditures	8,100	8,186	7,804	382
Total operating expenditures	549,450	552,775	493,827	58,948
Change in Fund Balance/Net Assets	(20,000)	(23,325)	72,344	95,669
Fund Balance/Net Assets - July 1, 2006	129,297	129,297	129,297	-
Fund Balance/Net Assets - June 30, 2007	<u>\$ 109,297</u>	<u>\$ 105,972</u>	<u>\$ 201,641</u>	<u>\$ 95,669</u>