

HIGHLAND TOWNSHIP  
PUBLIC LIBRARY

FINANCIAL REPORT  
December 31, 2007

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### 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 HIGHLAND TOWNSHIP PUBLIC LIBRARY	County OAKLAND
Fiscal Year End DECEMBER 31, 2007	Opinion Date MARCH 4, 2008	Date Audit Report Submitted to State MAY 7, 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 | <b>Check each applicable box below.</b> (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"/>	NO COMMENTS OR RECOMMENDATIONS
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) BREDERNITZ, WAGNER & CO., P.C.		Telephone Number 517-546-2130
Street Address 109 WEST CLINTON STREET		City HOWELL
		State MI
		Zip 48843
Authorizing CPA Signature	Printed Name GREGORY D. CLUM	License Number 1101014127

**BREDERNITZ, WAGNER & CO., P.C.**

*Certified Public Accountants*

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PRINCIPALS

RAYMOND H. COOPER, JR., CPA, CFP  
GREGORY D. CLUM, CPA, CGFM

MEMBERS

MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CONSULTANTS

DAVID L. BREDERNITZ, CPA

INDEPENDENT AUDITORS' REPORT

To the Highland Township  
Public Library Board  
Highland, Michigan

We have audited the accompanying financial statements of the Highland Township Public Library as of and for the year ended December 31, 2007, which collectively, comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Highland Township 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Highland Township Public 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.

The management's discussion and analysis on pages 3 through 7 is 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

To the Highland Township  
Public Library Board  
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the required 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 Highland Township Public Library's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and other supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Breckinridge, Wagner & Co, P.C.*

Howell, Michigan  
March 4, 2008

HIGHLAND TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended December 31, 2007 and  
December 31, 2006  
(Unaudited)

Using this Annual Report

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

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These *Fund Financial Statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *Government-Wide Financial Statement* columns 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 remain for future spending.

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

HIGHLAND TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Years Ended December 31, 2007 and  
December 31, 2006  
(Unaudited)

Condensed Financial Information

The table below shows key financial information in a condensed format:

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Current assets	\$3,140,835	2,740,886
Capital assets	459,027	416,537
Total assets	<u>3,599,862</u>	<u>3,157,423</u>
Current liabilities	630,790	557,831
Long-term liabilities	6,209	12,807
Total liabilities	<u>636,999</u>	<u>570,638</u>
Net assets:		
Invested in capital assets, net of debt	459,027	416,537
Unrestricted	2,503,836	2,170,248
Total net assets	<u>\$2,962,863</u>	<u>2,586,785</u>
Revenue:		
Property taxes	\$1,001,138	937,364
Other	267,337	202,070
Total revenue	<u>1,268,475</u>	<u>1,139,434</u>
Expenses - Library services	<u>892,397</u>	<u>954,725</u>
Change in net assets	<u>\$ 376,078</u>	<u>184,709</u>

HIGHLAND TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Years Ended December 31, 2007 and  
December 31, 2006  
(Unaudited)

The Library as a Whole

- The Library reports net assets of \$2,962,863 and \$2,586,785 on a full accrual basis, as compared to \$2,510,045 and \$2,183,055 on the modified accrual basis of accounting, for the years ended December 31, 2007 and 2006, respectively.
- The Library's primary source of revenue is from property taxes. Total tax collections were \$1,001,138 and \$937,364 representing 78.9% and 82.3% of total revenue for the years ended December 31, 2007 and 2006, respectively.
- Salaries and fringe benefits are the largest overall expenditure of the Library. This expenditure was \$466,687 and \$474,611, representing 52.3% and 49.7% of the Library's total expenditures for the years ended December 31, 2007 and 2006, respectively.
- Depreciation expense of \$111,933 and \$132,665 represents 12.5% and 13.9% of the Library's total expenses on the full accrual basis, for the years ended December 31 2007 and 2006, respectively.
- Total expenditures under the modified accrual method of accounting were \$941,485 and \$892,602 for the years ended December 31, 2007 and 2006, respectively.
- The Library's conversion to meet GASB 34 standards, which includes capitalization of Library-owned assets and associated depreciation expense, is reflected in the statement of activities on page 9 of this financial report.

The Library's Fund

Our analysis of the Library's General fund is included on pages 10 and 11 in the first column of the respective statements. The fund column provides detailed information about the General fund on a modified accrual basis of accounting, which is a short term perspective measuring the flow of financial resources, - not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. The Library's only fund is the General Fund. The fund balance

HIGHLAND TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Years Ended December 31, 2007 and  
December 31, 2006  
(Unaudited)

of the General Fund increased \$326,990 and \$246,832 during the years ended December 31, 2007 and 2006, respectively. This represents unspent revenue greater than expenses.

Library Budgetary Highlights

The 2007 budget was amended to reflect the expenditure of \$7,000 from the fund reserve for the library's portion of the cost of a sign for M-59 and Town Center Boulevard, as projected in the 2006 audit's Management's Discussion and Analysis (MD&A). Another amendment was passed to acknowledge receipt of a \$47,000 insurance payout from Michigan Municipal Risk Management Authority. These funds were allocated for expenditure on technology upgrades, also projected in the 2006 audit MD&A. Other transfers between line items within appropriations categories were made to better reflect actual costs. However these transfers did not affect the final budget totals.

The fines schedule for youth print materials was changed to match the fines for adult print materials. This change had a relatively small impact on fines revenues, as the total increase in the local fines line item was \$639 over the December 31, 2006 fiscal year.

The planned re-staining of the library exterior was completed. Credit granted to the library by Sherwin Williams at the time of construction of the library was used for exterior stain, prior to the five-year expiration deadline of the credit.

Following a second theft of copper from the library, missing downspouts were replaced with kynar painted steel rather than copper.

The library experienced a staffing vacancy with the loss of one full-time librarian during the course of the year. Other adjustments were made in staff hours to address vacancies and make the best use of existing staff.

A portion of the unexpended funds from the 2007 budget was designated for 2008 purchase of electronic resources (online/reference databases) and this has been reflected in a 2008 budget amendment.

HIGHLAND TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Years Ended December 31, 2007 and  
December 31, 2006  
(Unaudited)

Capital Assets & Debt Administration

At the end of the fiscal year, the Library had approximately \$459,027 invested in building improvements, furniture and equipment, and books and materials. The Library added \$86,939 in new collection items consisting of new books, various audio/visual materials, and enhancement of the music collection. The loss of one full-time librarian in 2007 did slow the materials selection/acquisitions process.

The purchase of shelving installed in the Friends book-sale room in 2007 was shared with the Friends of the Library and this shelving is therefore not listed as a capitalized asset of the library itself. The library's portion of the cost was under the threshold set by the capitalization policy.

A portion of the unexpended funds from the 2007 budget was designated for 2008 purchase of electronic resources (online/reference databases) and this has been reflected in a 2008 budget amendment.

It should be noted that the library building itself is an asset of the Charter Township of Highland, and therefore, does not appear as an asset of the Library.

The Library carries no long-term debt; debt related to the library building bond is administered by Highland Township (see Notes to Financial Statements 8).

Next Year's Budget and Millage Rates

The amended budget for fiscal year 2008 (amended to add unexpended 2007 funds for 2008 electronic resources/database subscription purchases), represents an increase of approximately 2.89% over the final amended budget for fiscal year 2007.

The Library's total millage rate of 1.60 mills is rolled back in the coming year to a collection rate of 1.2677 mills. Based on the taxable value of the property in the Library's township (and allowing for Board of Review and Tax Tribunal changes), this will generate approximately \$1,005,660 in tax revenue. Of this amount, approximately \$23,899 is subsequently captured by Highland's Downtown Development Authority. Property taxes account for approximately 88% of budgeted library revenues.

HIGHLAND TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Years Ended December 31, 2007 and  
December 31, 2006  
(Unaudited)

Most line item expenditures are consistent with previous budget years. Major expenditures which may occur in fiscal year 2008 include landscaping work, possible reconfiguration of the parking area near the front entrance, additional insulation work, and lighting improvements.

In general, maintenance, repair and cleaning of the facility will continue to be an emphasis, particularly since the building has passed the five-year mark. Maintenance contracts for HVAC seemed to have helped contain these costs.

Changes in the Blue Cross Blue Shield health insurance mitigated the projected cost increase for 2008; further changes are likely in the future as these costs escalate.

Rising gasoline prices will affect many aspects of the budget including travel mileage, shipping costs, and the cost of services such as lawn maintenance.

Interest income has been budgeted as the second highest line item revenue source for the library. However, declining interest rates on library investments may reduce interest revenues as compared to actual results for 2007 and may necessitate a budget amendment to reflect a reduced estimate for 2008 interest revenues.

Uncertainty persists regarding state aid to public libraries and especially to library cooperatives. Reductions in state aid could severely impact cooperative services and library operations, resulting in higher costs for inter-loan and delivery of library materials. The 2008 budget year is the last year in which there is funding from the Single Business tax.

One piece of the library's local millage was approved by voters in 1998 for 12 years. Collection of this millage is authorized only through 2009. Budgetary implications and future plans will be a priority concern.

Major expenditures to be explored for the longer term include radio frequency identification (RFID) and materials security systems to provide opportunities for patron self-checkout, and improved tracking and security for library materials inventory.

HIGHLAND TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)  
For the Years Ended December 31, 2007 and  
December 31, 2006  
(Unaudited)

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons and donors 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 director, jude halloran, at (248) 887-2218, extension 110.

HIGHLAND TOWNSHIP PUBLIC LIBRARY  
GOVERNMENTAL FUND BALANCE SHEET /  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2007

	<u>General Fund, Modified Accrual Basis</u>	<u>Adjustments (Note 9)</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and investments (Note 3)	\$ 2,882,866	-	2,882,866
Receivables:			
Taxes	161,325	-	161,325
Accrued interest	83,078	-	83,078
Prepaid expenses	13,566	-	13,566
Property and equipment (Note 4)	<u>-</u>	<u>459,027</u>	<u>459,027</u>
Total Assets	<u>\$ 3,140,835</u>	<u>459,027</u>	<u>3,599,862</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 78,211	-	78,211
Deferred revenue	552,579	-	552,579
Compensated absences (Note 10)	<u>-</u>	<u>6,209</u>	<u>6,209</u>
Total Liabilities	<u>630,790</u>	<u>6,209</u>	<u>636,999</u>
<b>Fund Balance/Net Assets</b>			
Fund balances - Unreserved:			
Designated for:			
Public improvement	520,161	(520,161)	-
Undesignated	<u>1,989,884</u>	<u>(1,989,884)</u>	<u>-</u>
Total Fund Balance	<u>2,510,045</u>	<u>(2,510,045)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 3,140,835</u>		
<b>Net assets:</b>			
Invested in capital assets, net of debt		459,027	459,027
Unrestricted		<u>2,503,836</u>	<u>2,503,836</u>
Total net assets		<u>\$ 2,962,863</u>	<u>2,962,863</u>

The notes to financial statements are an integral part of this statement.

HIGHLAND TOWNSHIP PUBLIC LIBRARY  
STATEMENT OF GOVERNMENTAL REVENUE,  
EXPENDITURES, AND CHANGES IN  
FUND BALANCE / STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2007

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Activities
<b>Revenue</b>			
Property taxes	\$ 1,001,138	-	1,001,138
Intergovernmental revenue	46,100	-	46,100
Investment income	135,877	-	135,877
Other revenues	<u>85,360</u>	<u>-</u>	<u>85,360</u>
<b>Total Revenues</b>	<u>1,268,475</u>	<u>-</u>	<u>1,268,475</u>
<b>Expenditures</b>			
General administration	541,404	(6,598)	534,806
Books, periodicals and audiovisual	90,469	(86,939)	3,530
Maintenance, supplies and capital outlay	251,823	(67,484)	184,339
Utilities	57,789	-	57,789
Depreciation	<u>-</u>	<u>111,933</u>	<u>111,933</u>
<b>Total Expenditures</b>	<u>941,485</u>	<u>(49,088)</u>	<u>892,397</u>
<b>Excess of Revenues Over Expenditures/Change in Net Assets</b>	326,990	49,088	376,078
<b>Fund Balance/Net Assets - Beginning of year</b>	<u>2,183,055</u>	<u>403,730</u>	<u>2,586,785</u>
<b>Fund Balance/Net Assets - End of year</b>	<u>\$ 2,510,045</u>	<u>452,818</u>	<u>2,962,863</u>

The notes to financial statements are an integral part of this statement.

HIGHLAND TOWNSHIP  
PUBLIC LIBRARY

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NOTES TO FINANCIAL STATEMENTS

Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION

Definition of the reporting entity:

The Highland Township Public Library was established for the purpose of providing all residents of Highland Township with access to materials and services for information, education, culture, and recreation. The Library is governed by a six member board of trustees elected at large from Highland Township.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the local unit. There are no component units of the Library. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Basis of presentation:

The financial statements present the fund financial statement on a modified accrual basis with an adjustment to present the statement of net assets and the statement of activities on a full accrual basis.

Fund Financial Statements:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds which are maintained in accordance with the activities or objectives specified.

The financial activities of the Library are recorded on one fund as follows:

Governmental Fund:

General Fund: This fund accounts for all financial resources except those provided for in another fund. Revenues are derived primarily from property taxes and penal fines. This fund includes the general operating expenses of the Library.

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Highland Township Public Library conform to accounting principles generally accepted in the United State of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Measurement focus/basis of accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Highland Township Public Library conform to generally accepted accounting principles as applicable to governmental units.

Governmental Fund

The Governmental Fund Type (General Fund) uses a financial resources measurement and focus and is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

Cash and Cash Equivalents:

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

Compensated absences (vacation and sick leave):

Vacation time that is unused at the employee's employment anniversary date does not carry over to the following year. Sick time does carry over to the following year at a limited amount. Retiring employees are eligible to be paid for half their accrued sick time. The amount of sick time accrued at December 31, 2007 for eligible retirees is \$6,209.

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Current property taxes:

Properties are assessed as of December 31 and the related property taxes become a lien on December 1. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at December 31.

The 2006 State taxable valuation of the Library totaled \$796,316,740 on which ad valorem taxes levied consisted of 1.2667 mills raising \$986,996 for operating purposes after amount withheld for the downtown development authority.

## 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 one year. Such assets are recorded at historical cost or estimated historical cost. 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 cost 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	20 years
Furniture and equipment	5-20 years
Library books and materials	8 years

## Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Budgets and budgetary accounting:

The annual budget is adopted by the Library Board prior to the beginning of the budgetary year. Subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end. The Library does not use the encumbrance method of accounting for budgetary purposes. During the current year, the budget was amended in a legally permissible manner.

Formal budgetary integration is employed as a management control device. The budget has been prepared on a modified accrual basis, which is in conformity with generally accepted accounting principles.

Note 3. CASH AND CASH INVESTMENTS

At December 31, 2007 the deposits and investments of the Library are classified by Governmental Accounting and Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, money market accounts and certificates of deposit)	\$2,882,576
Petty cash	<u>290</u>
Total	<u>\$2,882,866</u>

DEPOSITS

Deposits are carried at cost. The Library considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The total deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits in transit) at \$2,884,568. Of that amount, \$400,000 was covered by federal depository insurance and \$2,484,568 was uninsured and uncollateralized.

INVESTMENTS

The Library is authorized by Michigan Public Act 20- of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, banker's acceptances, mutual funds and bank investment pools that are composed of authorized investment vehicles. The Library's deposits and investments are in accordance with statutory authority. At December 31, 2007, the Library did not have any investments.

## Note 4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, 2007	Net Additions (Deletions)	Balance December 31, 2007
Building Improvements	\$ 38,926	-	38,926
Computers	212,383	67,484	279,867
Furniture, and equipment	62,790	-	62,790
Books and recordings	<u>671,726</u>	<u>40,363</u>	<u>712,089</u>
Total	985,825	107,847	1,093,672
Accumulated Depreciation	<u>(569,288)</u>	<u>(65,357)</u>	<u>(634,645)</u>
Net Book Value	<u>\$416,537</u>	<u>42,490</u>	<u>459,027</u>

## Note 5. BUILDING LEASE

The building in which the Highland Township Public Library is located is leased from Highland Township at \$1 per year. The lease is renewed on an annual basis and is expected to remain constant in the future.

## Note 6. RETIREMENT PLANS

The Library provides pension benefits to substantially all of its full-time employees through a defined contribution plan. The plan is administered by ING Group. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate at the first annual anniversary date of the plan, which is September 1. As established by the Library Board, the Library contributes 6 percent of employees' gross earnings. The Library contributions for each employee are immediately fully vested.

The Library's total payroll during the current year was \$417,732. The current year contribution was calculated based on covered payroll of \$274,328. The resulting employer contribution during the current year was \$16,460.

Effective June, 1992 the Library reactivated a salary reduction plan covering all employees who have completed one year of service of 1,000 hours and have reached age 21.

Note 7. 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's health insurance is with Municipal Benefit services. The Library participates in the Michigan Municipal Risk Management Authority state pool for claims relating to property loss, torts, errors and omissions and has insurance relating to workers' compensation with the Accident Fund. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state pool operates as a common risk-sharing management program; state pool member premiums are aggregated and used to purchase excess insurance coverage, some of which is underwritten by the Authority.

Note 8. LIBRARY BUILDING

The Charter Township of Highland, County of Oakland, State of Michigan issued bonds in the amount of \$5,765,000 in a prior year. The proceeds of these bonds were used to construct a new library building which is leased to the Highland Township Public Library. The obligation to repay the bonds is that of Highland Township.

Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from the net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in assets.

Total Fund Balance - Modified Accrual Basis	\$2,510,045
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	459,027
Compensated absences are included as a liability	<u>(6,209)</u>
Net Assets of General Fund - Full Accrual Basis	<u>\$2,962,863</u>

Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Change in Fund Balances - Modified Accrual Basis \$ 326,990

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in 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 and materials	86,939
Maintenance, supplies and capital outlay	67,484
Depreciation	(111,933)

Increase (decrease) in the accrual for long-term absences compensated reported as an expenditure in the statement of activities 6,598

Change in Net Assets of General Fund - Full Accrual Basis \$376,078

Note 10. COMPENSATED ABSENCES

A summary of compensated absences follows:

	Balance January 1,		Balance December 31,	
	<u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>2007</u>
Compensated absences	\$ <u>12,807</u>	<u>-</u>	<u>(6,598)</u>	<u>6,209</u>

The compensated absences represent the estimated liability to be paid to eligible retirees under the Library's sick time policy. Under the Library's policy, retiring employees are to be paid for one-half of their accrued sick time. The Library estimates that none of the above liability will be paid within the next year.

HIGHLAND TOWNSHIP PUBLIC LIBRARY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Property taxes	\$ 930,000	930,000	1,001,138	71,138
State aid	14,035	14,035	17,215	3,180
Charges for services	5,850	5,850	9,878	4,028
Investment income	40,000	40,000	135,877	95,877
Contributions	600	600	4,115	3,515
Fines and forfeitures	24,000	24,000	28,885	4,885
Local fines	17,000	17,000	19,738	2,738
Other miscellaneous	1,500	55,500	51,629	(3,871)
<b>Total Revenues</b>	<u>1,032,985</u>	<u>1,086,985</u>	<u>1,268,475</u>	<u>181,490</u>
<b>Expenditures</b>				
Salaries and fringe benefits	532,623	532,623	466,687	65,936
Supplies	15,000	15,000	13,516	1,484
Travel	3,100	3,100	2,625	475
Library books and materials	105,550	105,550	90,469	15,081
Professional and contractual services	75,000	68,500	51,005	17,495
Training and education	2,500	2,500	1,541	959
Insurance	82,789	82,789	70,551	12,238
Utilities	72,210	72,210	57,789	14,421
Repairs and maintenance	50,000	52,500	52,261	239
Printing, promotion, and advertising	13,500	13,500	9,410	4,090
Technology	66,000	113,000	102,488	10,512
Other miscellaneous	7,613	10,913	12,938	(2,025)
Capital outlay	7,100	14,800	10,205	4,595
<b>Total Expenditures</b>	<u>1,032,985</u>	<u>1,086,985</u>	<u>941,485</u>	<u>145,500</u>
<b>Excess of Revenues Over Expenditures</b>	-	-	326,990	326,990
<b>Fund Balance - Beginning of year</b>	<u>2,183,055</u>	<u>2,183,055</u>	<u>2,183,055</u>	-
<b>Fund Balance - End of year</b>	<u>\$ 2,183,055</u>	<u>2,183,055</u>	<u>2,510,045</u>	<u>326,990</u>

HIGHLAND TOWNSHIP  
PUBLIC LIBRARY  
STATEMENT OF REVENUES  
GENERAL FUND  
For the Year Ended December 31, 2007

	<u>2007</u>
Property taxes	\$ <u>1,001,138</u>
Intergovernmental:	
State:	
Penal fines	28,885
State aid	<u>17,215</u>
	<u>46,100</u>
Investment income	<u>135,877</u>
Other revenue:	
Book fines	19,738
Charges for services	9,878
Contributions, donations and other	<u>55,744</u>
	<u>85,360</u>
 Total Revenues	 \$ <u><u>1,268,475</u></u>

HIGHLAND TOWNSHIP  
PUBLIC LIBRARY

STATEMENT OF EXPENDITURES  
GENERAL FUND  
For the Year Ended December 31, 2007

General administration:	
Salaries	\$ 417,732
Fringe benefits	31,788
Pension plan	17,167
Insurance	70,551
Dues and travel	2,625
Education and training	1,541
	<u>541,404</u>
Books, periodicals and audiovisual:	
Books	54,683
Periodicals	15,814
Audiovisual	19,972
	<u>90,469</u>
Maintenance, supplies and capital outlay:	
Repairs and maintenance	56,632
Supplies	20,091
Equipment and furnishings	111,156
Contracted services and other	63,944
	<u>251,823</u>
Utilities:	
Public utilities	48,254
Communications	9,535
	<u>57,789</u>
Total Expenditures	\$ <u>941,485</u>