

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 Manchester District Library	County Washtenaw
Fiscal Year End May 31, 2007	Opinion Date October 8, 2007	Date Audit Report Submitted to State November 30, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Post, Smythe, Lutz and Ziel of Plymouth LLP		Telephone Number 248-644-9125	
Street Address 3707 W. Maple Road, Suite 101		City Bloomfield Hills	State Zip MI 48301
Authorizing CPA Signature 	Printed Name Rana M. Emmons, CPA		License Number 1101022716

**MANCHESTER DISTRICT LIBRARY
Washtenaw County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
May 31, 2007**

MANCHESTER DISTRICT LIBRARY
For the Year Ended May 31, 2007

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Independent Auditor's Report

October 8, 2007

To the Board of Trustees
Manchester District Library
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, and the General Fund of Manchester District Library as of and for the year ended May 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 Manchester District 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 opinion.

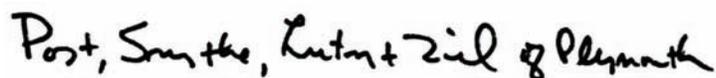
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Manchester District Library as of May 31, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Manchester District Library
October 8, 2007
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manchester District Library's basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz + Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants

Management's Discussion and Analysis

As management of Manchester District Library, we offer readers of Manchester District Library's financial statements this narrative overview and analysis of the financial activities of Manchester District Library for the fiscal year ended May 31, 2007.

This annual report consists of a series of financial statements. 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. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide financial statements.

Manchester District Library as a Whole

The Library has net assets of \$524,069. A substantial portion of the Library's net assets (27%) reflects its investment in capital assets (e.g. books, leasehold improvements, machinery and equipment, and furniture and fixtures). The Library uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending.

Net assets increased by \$44,235, or 9.2% during the year ended May 31, 2007. Revenues decreased by \$1,571, as a result of a decrease in state aid revenue.

Library use as measured by circulation, patron visits, and computer use, continues to improve. During calendar year 2006, the Library checked out and renewed more than 76,000 items, an increase of 15% over the previous year's tally of about 65,000 items. Visitor and computer use numbers have been consistent with the year before, perhaps seeing a slight increase. Growth in 2007 continues to be excellent. We have been averaging more than 7,000 items checked out per month, which should result in a year-end total of about 84,000 items.

The Library is a member of The Library Network (TLN), a large consortium of libraries in the SE corner of Michigan. We are a member of the TLN Shared Automation System, which links us to 40 other libraries across the region using shared databases for patron information and library catalogs. Patrons can view our Library's holdings on-line, and if they need an item we don't own, can search for and request it themselves using the same catalog. We also purchase Internet access, out-of-network interlibrary loan, and web site and email hosting through TLN.

In 2006-2007, the Library has continued its commitment to improving its collection with items our patrons request, especially audio-visual materials like DVDs and audio books. The youth services department has continued to update juvenile non-fiction as well as add a variety of fiction materials for children at various reading levels. In the adult book collection we've worked on both improving popular areas (travel, cooking, home improvement) and weeding out books that are no longer being used or

have outdated information. General fiction and mysteries continue to be extremely popular, and we spend approximately 50-60% of the book budget on ordering materials for those areas.

Despite the growth in use, our staffing has been maintained at about the same level as the previous year. We did add a bookkeeping position, and our new bookkeeper has been a huge asset to the library in terms of accuracy and timeliness. Recording and reporting financial transactions has gone more smoothly with one person dedicated to that task. The Board also approved adding a Youth Services Assistant, however, when the position was first posted we did not receive enough viable candidates to fill it. We will try again later this winter, and once the Assistant is on board we plan to increase programming for children and teens.

During the 2006-2007 year, the Library started a significant remodeling project to increase the usability and accessibility of the space. We are adding more shelving and study space on the 2nd level, and rearranging and freshening the main level as well. The project will be complete by the end of the 2007 calendar year, and we look forward to seeing if the improved space results in even more use.

Governmental Activities

The Library does not have many options to increase revenue. The Library's total government activity revenues were \$388,228 this year. Property taxes were \$350,580 or 90% of the total revenues. Property tax increases are controlled by various State laws that restrict the increase in taxable values to amounts at or below the rate of inflation. State revenue sharing and penal fines were \$17,269 or 4% of total governmental revenue. The remaining 6% of revenue is comprised of contributions, fines, fees and investment income. The Library's budget is expended largely on salaries and benefits with expenditures of \$164,016 or 44%, and rent and utilities on its facilities of \$60,283 or 16%. The remaining budget is being dedicated to other functions such as Library programs, operating supplies and interlibrary automated services. The Library also sent \$26,417 or 7% of its property tax revenues to another Library as part of a service agreement.

In a condensed format, the following table shows Net Assets and Change in Net Assets as of May 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 392,584	\$ 384,215
Capital Assets	<u>139,289</u>	<u>110,165</u>
Total Assets	<u>531,873</u>	<u>494,380</u>
Long-term Liabilities	1,739	1,739
Other Liabilities	<u>6,065</u>	<u>12,807</u>
Total Liabilities	<u>7,804</u>	<u>14,546</u>
Net Assets:		
Invested in Capital Assets	139,289	110,165
Restricted	5,612	5,612
Unrestricted	<u>379,168</u>	<u>364,057</u>
Total Net Assets	<u>\$ 524,069</u>	<u>\$ 479,834</u>
	<u>2007</u>	<u>2006</u>
Revenues:		
Property Taxes	\$ 350,580	\$ 336,459
State Shared Revenue	2,526	5,538
Penal Fines	14,743	13,575
Fines and Fees	9,518	8,864
Interest Income	7,822	8,885
Contributions and Grants	2,639	14,006
Other Revenues	<u>400</u>	<u>2,472</u>
Total Revenues	<u>388,228</u>	<u>389,799</u>
Program Expenses		
Public Library	<u>343,993</u>	<u>323,708</u>
Change in Net Assets	<u>\$ 44,235</u>	<u>\$ 66,091</u>

Library expenditures this year showed some differences from the previous year. One of the most noticeable was the increase in the amount spent on salaries, which is due to additional staffing for increased patronage. Rent and utilities also increased as a new shared usage agreement became effective October 1, 2005. Depreciation expense also increased as GASB 34 implementation requires books and materials to be capitalized and depreciated over their useful lives, as the Library continues to purchase books and materials, depreciation on those books and materials increase.

General Fund

The fund financial statement provides a more detailed analysis of the Library operations, which is focused primarily on the current use of available resources.

The General Fund relates to the general governmental activities of the Library, which are financed by property tax levies, by distribution of State

Shared revenues, penal fines and from fees charged. The General Fund's fund balance increased \$15,111 largely due to increased property tax revenues. Total expenditures in the General Fund were \$373,117 in the current year, including salaries and benefits of \$164,016 or 44%, and books and related materials of \$46,560 or 12%.

General Fund Budgetary Highlights

Manchester District Library adopts an annual appropriated budget for its general fund, and a budget to actual comparison statement has been provided to demonstrate compliance with this budget.

The original budget and final amended budget projected a \$49,600 decrease in fund balance. Actual results ended with an increase of \$15,111 in fund balance.

Capital Assets

Manchester District Library's investment in capital assets as of May 31, 2007, amounted to \$139,289 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, books and related materials, furniture and fixtures, and equipment.

For the fiscal year ended May 31, 2007, the Library capitalized a total of \$55,628. This included \$43,484 of books, movies, and audio visual materials, \$1,195 of computer equipment, and \$10,949 of initial work on the Library's interior renovation project.

Economic Factors and Next Year's Budgets and Rates

The Board has committed to spending some of our reserves on remodeling the Library. When the Library moved to its current location, it was designed to house a collection of about 16,000 items. We're now at 32,000+ items and some reorganization is in order. The Board hired an architectural firm during the current fiscal year and renovations are expected to be completed during fiscal year 2008.

Library programming, particularly for children, continues to be very popular. We intend to continue the same level of programming as last year, and hope that we can accommodate more and more varied programming once the Library's remodeling is complete.

Requests for Information

This financial report is designed to provide a general overview of Manchester District Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Manchester District Library Director, 912 City Road, Manchester, Michigan, 48158.

BASIC FINANCIAL STATEMENTS

MANCHESTER DISTRICT LIBRARY
Governmental Fund Balance Sheet/Statement of Net Assets
May 31, 2007

	Governmental Fund	Reconciling Items	Statement of Net Assets
<u>ASSETS</u>			
Cash	\$ 392,584	\$ -	\$ 392,584
Capital Assets (net of accumulated depreciation)	-	139,289 (a)	139,289
Total Assets	\$ 392,584	\$ 139,289	\$ 531,873
 <u>LIABILITIES AND FUND BALANCE</u>			
Current Liabilities:			
Accrued Payroll	\$ 6,065	\$ -	\$ 6,065
Noncurrent Liabilities:			
Accrued Compensated Absences	-	1,739 (b)	1,739
Total Liabilities	6,065	\$ 1,739	7,804
 Fund Balance:			
Reserved	5,612		
Unreserved:			
Designated	100,000		
Undesignated	280,907		
Total Fund Balance	386,519		
Total Liabilities and Fund Balance	\$ 392,584		
 <u>NET ASSETS:</u>			
Invested in Capital Assets			139,289
Restricted			5,612
Unrestricted			379,168
Total Net Assets			\$ 524,069

(a) Capital assets are expensed in governmental fund financial statements; the acquired assets are capitalized and depreciated in the government-wide statement of net assets.

(b) Certain liabilities, including amounts due for compensated absences, are not due and payable in the current period and therefore are not reported in the governmental fund.

MANCHESTER DISTRICT LIBRARY
Statement of Governmental Revenues, Expenditures, and
Changes in Fund Balance/Statement of Activities
For the Year Ended May 31, 2007

	<u>Governmental</u> <u>Fund</u>	<u>Reconciling</u> <u>Items</u>	<u>Statement</u> <u>of Activities</u>
<u>Revenues</u>			
Property Taxes	\$ 350,580	\$ -	\$ 350,580
State Shared Revenue	2,526	-	2,526
Penal Fines	14,743	-	14,743
Fines and Fees	9,518	-	9,518
Interest Income	7,822	-	7,822
Contributions and Grants	2,639	-	2,639
Other Revenues	400	-	400
Total Revenues	<u>388,228</u>	<u>-</u>	<u>388,228</u>
<u>Expenditures</u>			
Current:			
Cultural - Library Operations	317,489	-	317,489
Capital Outlay	<u>55,628</u>	<u>(29,124) (a)</u>	<u>26,504</u>
Total Expenditures	<u>373,117</u>	<u>(29,124)</u>	<u>343,993</u>
Change in Fund Balance/Net Assets	15,111	29,124	44,235
Fund Balance/Net Assets - Beginning	<u>371,408</u>	<u>108,426</u>	<u>479,834</u>
Fund Balance/Net Assets - Ending	<u>\$ 386,519</u>	<u>\$ 137,550</u>	<u>\$ 524,069</u>

(a) Capital outlays are expensed in governmental fund financial statements; the acquired assets are capitalized and depreciated in the statement of activities. Depreciation for the year ended May 31, 2007, was \$26,504, and capital outlays were \$55,628.

MANCHESTER DISTRICT LIBRARY
Notes to Financial Statements
May 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Manchester District Library was established on May 22, 2000, by the approval of the voters of four participating municipalities, including the Village of Manchester, and the Townships of Bridgewater, Freedom, and Manchester. The District Library was formed under the authority of Public Act 24, of 1989. The District Library provides public library services to the residents of the Community.

In accordance with the provisions of the Governmental Accounting Standards Board the financial statements of the Manchester District Library contain all the Library's funds and authorities for which the Library is financially accountable and the nature and significance of their relationship with the Library are such that exclusion would cause the Library's financial statements to be misleading or incomplete.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants 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 meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as *general revenues*.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

MANCHESTER DISTRICT LIBRARY
Notes to Financial Statements
May 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

Governmental Funds

The Library reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MANCHESTER DISTRICT LIBRARY
Notes to Financial Statements
May 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Library's 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. State statutes authorize the Library to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. Receivables and Payables

All trade and property tax receivables are shown net of allowances for uncollectible accounts, which are recorded at \$-0- at May 31, 2007.

3. Capital Assets

Capital assets, which include books and related materials, property and equipment, are defined by the Library as assets with an initial individual cost of more than \$1,000 and an estimated useful life of two years. Computers or property and equipment purchased in groups are combined for the purpose of the capital threshold amount. Capital 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property and equipment of the Manchester District Library are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5-20
Books and Materials	3-5
Collections	15

4. Compensated Absences

The Library's policy is to permit the Library Director to accumulate earned but unused sick pay benefits. In accordance with Governmental Accounting Standards Board Statement No. 16, accumulated unpaid sick pay amounts are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment. The total liability is recorded in the Statement of Net Assets. Management has determined that the total liability at May 31, 2007 is \$1,739.

MANCHESTER DISTRICT LIBRARY
Notes to Financial Statements
May 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

6. 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 a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Library is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). 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. During the current year, budget amendments were made and are reflected in the financial statements.

The General Fund budget is adopted at the activity level for the Library activity in total, and on a basis consistent with generally accepted accounting principles.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The Library has no funds with accumulated fund balance deficits.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

During the year ended May 31, 2007, the Library did not incur expenditures in excess of the amounts appropriated.

MANCHESTER DISTRICT LIBRARY
Notes to Financial Statements
May 31, 2007

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law the Library is permitted 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 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 that are legal for direct investment by local units of government in Michigan.

The Library's cash and investments are subject to several types of risk, which are detailed 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 recovered. The Library does not have a deposit policy for custodial credit risk. As of May 31, 2007, the Library's book balance of its deposits was \$392,406, and the total book balance was \$392,574 due to \$168 of cash on hand. The bank balance was \$429,249 which was exposed to custodial credit risk, as follows:

	Bank Balance
Insured by F.D.I.C	\$ 105,612
Uninsured and Uncollateralized	323,637
Total	\$ 429,249

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The Library's deposits and investments at year end consisted of the following:

	Fair Value	Weighted Average Maturity
Checking Accounts	\$ 79,160	Demand
Bank Investment Pool	\$344,477	Demand
Certificate of Deposit	\$ 5,612	27 months

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library's investment policy does not further limit its investment choices.

MANCHESTER DISTRICT LIBRARY
Notes to Financial Statements
May 31, 2007

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended May 31, 2007 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Leasehold Improvements	\$ 4,344	\$ 10,949	\$ -	\$ 15,293
Furniture and Fixtures	20,751	-	-	20,751
Equipment	16,568	1,195	-	17,763
Books	68,041	28,683	-	96,724
Audio Books	16,191	14,801	-	30,992
Movies and CD's	11,032	-	-	11,032
	<u>136,927</u>	<u>55,628</u>	<u>-</u>	<u>192,555</u>
Less: Accumulated Depreciation:				
Leasehold Improvements	(356)	(313)	-	(669)
Furniture and Fixtures	(2,659)	(1,888)	-	(4,547)
Equipment	(2,848)	(3,071)	-	(5,919)
Books	(13,911)	(14,317)	-	(28,228)
Audio Books	(3,187)	(3,238)	-	(6,425)
Movies and CD's	(3,801)	(3,677)	-	(7,478)
	<u>(26,762)</u>	<u>(26,504)</u>	<u>-</u>	<u>(53,266)</u>
Governmental Activities Capital Assets, net	<u>\$ 110,165</u>	<u>\$ 29,124</u>	<u>\$ -</u>	<u>\$ 139,289</u>

Total Depreciated Expense charged to the Statement of Activities for the fiscal year ended May 31, 2007 is \$26,504.

MANCHESTER DISTRICT LIBRARY
Notes to Financial Statements
May 31, 2007

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Property Taxes

Property taxes are assessed as of each December 31. The Library tax levy is billed on December 1 of the following year. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the Library is as follows:

<u>Type</u>	<u>Source of Authorization</u>	<u>Original Authorization</u>	<u>Maximum Authorization After "Roll Back"</u>	<u>Amount Levied</u>
Operating	Voted 11/04	1.05	1.05	1.05

D. Fund Balance Reservations/Designations

	<u>General Fund</u>
Reserved:	
Donor imposed restrictions	\$ 5,612
Unreserved:	
Designated for Subsequent Year's Expenditures	100,000
Undesignated	<u>280,897</u>
Total Fund Balance	<u>\$ 386,509</u>

IV. OTHER INFORMATION

A. Defined Contribution Retirement Plan

The Library contributes to a defined contribution retirement plan which covers the Library Director. A defined contribution plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to a participant's account and the returns on investments of these contributions. Contributions made by the Library vest immediately. The Library contributes 10% of the Library Director's gross earnings to the plan. In accordance with these requirements, the Library contributed \$4,751 for the fiscal year ended May 31, 2007.

MANCHESTER DISTRICT LIBRARY
Notes to Financial Statements
May 31, 2007

IV. OTHER INFORMATION – Continued

B. Rents

The District Library signed a shared use agreement with the Village of Manchester for the use of the Library facilities. The current agreement extends through May 31, 2015, with the Library having the option to extend this term to December 31, 2015.

During the term of the lease, the Library will pay rent in the sum of \$3,241.33 monthly. The Library will also pay a utility fee in the sum of \$900 per month. The utility fee will be reviewed annually. If the fees exceed the amounts paid by the Village, the excess shall be credited against successive sums due. If the fees were less, the Library shall reimburse the Village for those sums. Utility fees for each successive year shall be adjusted annually to reflect the Village's projected actual expenses for the following year. Unless otherwise agreed by the parties, the sums to be paid by the Library shall be 33% of the total utility bills. Also, during the term of this agreement the Library shall pay the Village a common area maintenance fee of \$124.66 per month, and an elevator funding fee of \$981.10 per month for the shared cost of the elevator installed during 2006.

The future minimum lease payments under non-cancelable leases at May 31 are summarized as follows:

Fiscal Year Ended <u>May 31,</u>	<u>Amount</u>
2008	\$ 62,965
2009	62,965
2010	62,965
2011	62,965
2012	62,965
Thereafter	<u>188,895</u>
	<u>\$503,720</u>

C. Risk Management

The Library is a member of the Michigan Township Participating Plan for its property and casualty insurance coverage and maintains commercial insurance coverage for workers compensation, and accidental death, dismemberment and disability liabilities. The Library believes such coverage is sufficient to preclude any significant uninsured losses to the Library. Settled claims have not exceeded this coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

MANCHESTER DISTRICT LIBRARY
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended May 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 352,936	\$ 352,936	\$ 350,580	\$ (2,356)
State Shared Revenue	5,750	5,750	2,526	(3,224)
Penal Fines	12,000	12,000	14,743	2,743
Fines and Fees	6,500	6,500	9,518	3,018
Interest Income	6,260	6,260	7,822	1,562
Contributions and Grants	3,330	3,330	2,639	(691)
Other Revenues	785	785	400	(385)
Total Revenues	<u>387,561</u>	<u>387,561</u>	<u>388,228</u>	<u>667</u>
Expenditures:				
Salaries & Wages	145,000	145,000	139,846	5,154
Fringe Benefits	24,275	24,275	24,170	105
Books	29,270	29,270	28,683	587
Periodicals	3,500	3,500	3,076	424
Audio-Visual	16,000	16,000	14,801	1,199
Automation	21,000	21,000	18,946	2,054
Contract Labor	6,000	6,000	3,900	2,100
Professional Fees	4,100	4,100	4,297	(197)
Accounting/Payroll	1,200	1,750	1,706	44
Clinton Library Contract	26,000	26,000	26,417	(417)
Memberships and Dues	750	750	702	48
Postage	2,000	2,000	901	1,099
Telephone	2,600	2,600	2,300	300
Transportation	1,000	1,000	830	170
Rent	50,000	50,000	46,278	3,722
Insurance	5,000	5,000	3,476	1,524
Utilities	15,000	15,000	14,005	995
Internet Lines	11,000	11,000	6,922	4,078
Programs	4,000	4,000	3,274	726
Operating Supplies	9,500	9,500	9,493	7
Staff Education	3,000	3,000	1,655	1,345
Refunds & Miscellaneous	250	250	152	98
Marketing	3,750	3,750	3,402	348
Furniture & Fixtures	10,000	10,000	1,741	8,259
Contingency	2,966	2,416	-	2,416
Capital Outlay:				
Leasehold Improvements	30,000	30,000	10,949	19,051
Equipment	10,000	10,000	1,195	8,805
Total Expenditures	<u>437,161</u>	<u>437,161</u>	<u>373,117</u>	<u>64,044</u>
Net Change in Fund Balance	(49,600)	(49,600)	15,111	64,711
Fund Balance - Beginning	<u>371,408</u>	<u>371,408</u>	<u>371,408</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 321,808</u>	<u>\$ 321,808</u>	<u>\$ 386,519</u>	<u>\$ 64,711</u>