

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 type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	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 type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Beth Bialy</i>		Printed Name		License Number

Northville District Library

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

Northville District Library

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Independent Auditor's Report

To the Members of the Board
Northville District Library
Northville, Michigan

We have audited the accompanying financial statements of each major fund and the government-wide activities of Northville District Library as of and for the year ended November 30, 2007, as listed in the table of contents. These financial statements are the responsibility of Northville 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the government-wide activities of Northville District Library as of November 30, 2007 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules as identified in the table of contents are not required parts of the basic financial statements but are 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.

Plante & Moran, PLLC

February 18, 2008

Northville District Library

Management's Discussion and Analysis

The following discussion and analysis of the financial performance of Northville District Library (the "Library") provides an overview of the Library's financial activities for the fiscal year ended November 30, 2007.

Financial Highlights

The following represents the most significant financial highlights for the year ended November 30, 2007:

- The financial report for the year ended November 30, 2007 reflects entity-wide financial reporting in addition to reporting financial information at the fund level. A reconciliation of the net change in fund balance to the change in net assets is provided on page 20.
- Overall, revenues and expenditures were consistent with the prior year. Noteworthy items include the following:
 1. Tax revenue was very close to the budgeted amount, but tax refunds were 18 percent over budget. Interest rates were extremely favorable and amounted to greater than 50 percent over budget, while library fines were 10 percent over budget. Total income, including Friends of the Library donations, was 3 percent over budget.
 2. A fund balance of \$154,754 was carried over from the 2006 fiscal year in anticipation of costs related to the union contract under negotiation. The Library declared an impasse in union negotiations in February 2007 and implemented the wage and health insurance provisions of the management offer at that time. In accord with the recommendations of a State of Michigan fact finder, no retroactive pay was included.
 3. The Library completed a new strategic plan with certain goal and action steps to be completed prior to November 2008. Each year for the next five years, the strategic plan will be re-evaluated and that year's goals and objectives will be defined and funded. The board of trustees decided to use the previous year's fund balance to implement a portion of the strategic plan. In 2007, a total of \$50,000 was appropriated to the building and maintenance line of the 2007 budget. More expenses related to the strategic plan are planned for the coming fiscal year.
 4. The Library's budget for 2008 and five-year plan are being updated to reflect changes in the income projections received for the Library for the next five years. Increases in taxable value for 2009 forward are estimated to increase only 1 percent. Previous estimates were approximately 4 percent.

Northville District Library

Management's Discussion and Analysis (Continued)

Using this Annual Report

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. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers and users have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' and users' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide financial statements by providing information about the Library's funds.

The Library as a Whole

The following table shows, in a condensed format, the current year's net assets compared to the prior year:

	2007	2006	Changes from Prior Year	
			Dollars	Percent
Assets				
Current assets	\$ 1,078,307	\$ 795,974	\$ 282,333	35.5
Capital assets	<u>4,809,633</u>	<u>4,773,875</u>	<u>35,758</u>	0.7
Total assets	5,887,940	5,569,849	318,091	5.7
Liabilities				
Current liabilities	519,151	431,782	87,369	20.2
Noncurrent liabilities	<u>2,700,000</u>	<u>3,000,000</u>	<u>(300,000)</u>	(10.0)
Total liabilities	<u>3,219,151</u>	<u>3,431,782</u>	<u>(212,631)</u>	(6.2)
Net Assets				
Invested in capital assets - Net of related debt	1,809,633	1,498,875	310,758	20.7
Restricted - Debt service	51,205	90,379	(39,174)	(43.3)
Unrestricted	<u>807,951</u>	<u>548,813</u>	<u>259,138</u>	47.2
Total net assets	<u>\$ 2,668,789</u>	<u>\$ 2,138,067</u>	<u>\$ 530,722</u>	24.8

Northville District Library

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year in comparison with the prior year:

	2007	2006	Changes from Prior Year	
			Dollars	Percent
Revenue				
Property taxes	\$ 2,547,678	\$ 2,394,039	\$ 153,639	6.4
State aid	21,733	19,861	1,872	9.4
Other income	<u>200,473</u>	<u>157,791</u>	<u>42,682</u>	27.0
Total revenue	2,769,884	2,571,691	198,193	7.7
Expenditures				
Wages and benefits	1,290,119	1,187,886	102,233	8.6
Facilities	182,804	220,123	(37,319)	(17.0)
MERS healthcare contribution	100,000	163,006	(63,006)	38.7
Depreciation	306,006	377,192	(71,186)	(18.9)
Debt service	127,025	150,325	(23,300)	(15.5)
Other	<u>233,208</u>	<u>336,403</u>	<u>(103,195)</u>	(30.7)
Total expenditures	<u>2,239,162</u>	<u>2,434,935</u>	<u>(195,773)</u>	(8.0)
Excess of Revenue Over Expenditures	<u>\$ 530,722</u>	<u>\$ 136,756</u>	<u>\$ 393,966</u>	288.1

The increase in revenue primarily reflects the overall increase in the taxable value of the Northville area. Other income increased from the prior year due to improved fixed income investment earnings and increased donations.

The decrease in expenditures is due to less prefunding of postemployment healthcare costs as described in Note 8, and reduced depreciation expense and other costs (see Note 4).

The Library's Funds

The Library maintains three funds: the General Fund, the Reserve Fund, and the Debt Service Fund. All three funds are considered major funds. The fund financial statements provide detailed information about the funds, not the Library as a whole. The Library board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as debt service payments.

General Fund Budgetary Highlights

The General Fund accounts for all programming, maintenance, capital investments, and administrative functions of the Library. The budget is monitored closely and amended quarterly, if needed.

The General Fund pays for all of the Library's services. The most significant are program activities.

Northville District Library

Management's Discussion and Analysis (Continued)

The Debt Service Fund did not have a budget adopted by the Library board for the year ended November 30, 2007. This type of fund is not required by State of Michigan law to have a budget adopted.

Capital Asset and Debt Administration

At the end of fiscal year 2007, the Library had approximately \$4,800,000 (net of depreciation) invested in a broad range of capital assets, including books, buildings, technology equipment, and furniture.

The Library has a Debt Service Fund. This fund allows for the collection of a dedicated millage approved by taxpayers for debt service of the 1998 Refunding Bonds and the related debt service payments.

Economic Factors and Next Year's Budgets and Rates

Property value assessments in southeastern Michigan have generally declined during the current year, including the Northville area. The result of this is that taxable values of property within the Northville area have remained relatively flat. With the close of fiscal year 2007, funds of \$465,233 have been designated for capital and technology projects. The evaluation of capital improvements and technology investments will continue to be a focus in the future.

Contacting the Library's Management

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Northville District Library's office at 212 West Cady Street, Northville, Michigan 48167, or via the Library's Web site at www.northville.lib.mi.us.

Northville District Library

Governmental Funds Balance Sheet/Statement of Net Assets November 30, 2007

	Modified Accrual Basis				Full Accrual Basis	
	General	Special	Debt	Total	Adjustments	Government-wide
	Fund - Operating Fund	Revenue Fund - Reserve Fund				
Assets						
Cash and cash equivalents (Note 2)	\$ 383,020	\$ 644,082	\$ 51,205	\$ 1,078,307	\$ -	\$ 1,078,307
Due from other funds	-	295,135	-	295,135	(295,135)	-
Capital assets - Net of accumulated depreciation (Note 4)	-	-	-	-	4,809,633	4,809,633
Total assets	\$ 383,020	\$ 939,217	\$ 51,205	\$ 1,373,442	4,514,498	5,887,940
Liabilities						
Accounts payable	\$ 87,885	\$ -	\$ -	\$ 87,885	-	87,885
Accrued interest payable	-	-	-	-	30,000	30,000
Compensated absences	-	-	-	-	101,266	101,266
Due to other funds	295,135	-	-	295,135	(295,135)	-
Long-term debt (Note 5):						
Due within one year	-	-	-	-	300,000	300,000
Due in more than one year	-	-	-	-	2,700,000	2,700,000
Total liabilities	383,020	-	-	383,020	2,836,131	3,219,151
Net Assets						
Fund balances:						
Reserved for debt service	-	-	51,205	51,205	(51,205)	-
Designated for facilities and capital projects	-	372,003	-	372,003	(372,003)	-
Designated for technology projects	-	93,230	-	93,230	(93,230)	-
Designated for retiree healthcare contributions and other anticipated expenditures	-	178,849	-	178,849	(178,849)	-
Designated for future unfunded expenses	-	295,135	-	295,135	(295,135)	-
Total fund balances	-	939,217	51,205	990,422	(990,422)	-
Total liabilities and net assets	\$ 383,020	\$ 939,217	\$ 51,205	\$ 1,373,442		
Invested in capital assets - Net of related debt					1,809,633	1,809,633
Restricted - Debt service					51,205	51,205
Unrestricted					807,951	807,951
Total net assets					\$ 2,668,789	\$ 2,668,789

Northville District Library

Statement of Governmental Funds Revenue, Expenditures, and Changes in Fund Balances/Statement of Activities Year Ended November 30, 2007

	Modified Accrual Basis				Full Accrual Basis	
	General		Debt	Total	Adjustments (Note 10)	Government- wide Statement of Activities
	Fund - Operating Fund	Special Revenue Fund - Reserve Fund				
Revenues						
Property taxes	\$ 2,183,743	\$ -	\$ 363,935	\$ 2,547,678	\$ -	\$ 2,547,678
Penal fines	34,345	-	-	34,345	-	34,345
Rentals and fees - Library user services	9,259	-	-	9,259	-	9,259
Overdue fines	42,010	-	-	42,010	-	42,010
State aid	21,733	-	-	21,733	-	21,733
Single business tax	3,075	-	-	3,075	-	3,075
Universal Service Fund	5,987	-	-	5,987	-	5,987
Donations	26,825	-	-	26,825	-	26,825
Interest earnings	47,022	25,484	6,466	78,972	-	78,972
Total revenues	2,373,999	25,484	370,401	2,769,884	-	2,769,884
Expenditures						
Wages and salaries	956,923	-	-	956,923	-	956,923
Fringe benefits and payroll taxes	328,919	-	-	328,919	4,277	333,196
Postage	1,612	-	-	1,612	-	1,612
Operating supplies	21,673	-	-	21,673	-	21,673
Telephone	4,039	-	-	4,039	-	4,039
Copier expense	6,561	-	-	6,561	-	6,561
Insurance	24,072	-	-	24,072	-	24,072
Utilities and janitorial	126,906	-	-	126,906	-	126,906
Repairs and maintenance	124,766	-	-	124,766	(68,868)	55,898
Education and training	6,169	-	-	6,169	-	6,169
Capital outlay:						
Books	237,526	-	-	237,526	(237,526)	-
Equipment	30,476	-	-	30,476	(30,476)	-
Other	22,160	-	-	22,160	(22,160)	-
Special programs	13,093	-	-	13,093	-	13,093
Legal	2,102	-	-	2,102	-	2,102
Audit fees	5,800	-	-	5,800	-	5,800
Contractual services	12,183	-	-	12,183	-	12,183
Leases of equipment	1,586	-	-	1,586	-	1,586
Advertising and public relations	25,143	-	-	25,143	-	25,143
Auto circulation system services	24,037	-	-	24,037	-	24,037
Technology	57,147	-	-	57,147	(18,520)	38,627
Other	10,725	-	-	10,725	35,786	46,511
MERS healthcare contribution	100,000	-	-	100,000	-	100,000
Depreciation	-	-	-	-	306,006	306,006
Debt service	-	-	409,575	409,575	(282,550)	127,025
Total expenditures	2,143,618	-	409,575	2,553,193	(314,031)	2,239,162
Excess of Revenues Over (Under) Expenditures	230,381	25,484	(39,174)	216,691	314,031	530,722
Other Financing Sources (Uses) - Transfers in (out) - General Fund residual	(385,135)	385,135	-	-	-	-
Net Change in Fund Balances	(154,754)	410,619	(39,174)	216,691	314,031	530,722
Fund Balances/Net Assets - December 1, 2006	154,754	528,598	90,379	773,731	1,364,336	2,138,067
Fund Balances/Net Assets - November 30, 2007	\$ -	\$ 939,217	\$ 51,205	\$ 990,422	\$ 1,678,367	\$ 2,668,789

The Notes to Financial Statements are an Integral Part of this Statement.

Northville District Library

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

Note I - Summary of Significant Accounting Policies

The accounting policies of Northville District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

Northville District Library serves the City of Northville and Northville Township. The Library is governed by a seven-member 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.

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 governmental activities of the Library. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

In addition to presenting information for the General Fund, the basic financial statements combine all fund activity and present information for the Library as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Northville District Library

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

Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues 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, debt service expenditures are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

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.

The Library reports the following major governmental funds:

General Fund - Operating Fund - The Operating Fund contains the records of the ordinary activities of the Library that are not accounted for in another fund. Operating Fund activities are financed by revenue from general property taxes, state aid, and other sources.

Special Revenue Fund - Reserve Fund - The Reserve Fund is used to account for assets in excess of current operating needs.

Debt Service Fund - The Debt Service Fund is used to account for the annual payment of principal, interest, and expenses in connection with the building debt.

Fund balance has been reserved and net assets have been restricted for debt service in an amount equal to collections of debt millage in excess of bond payments to date.

Northville District Library

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

Note I - Summary of Significant Accounting Policies (Continued)

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.

Property Taxes - Property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year. These taxes are due without penalty during the period from December 1 through February 28. Taxes are considered delinquent as of March 1, at which time they are added to the county tax rolls with penalty.

The delinquent real property taxes of the Library are purchased by Wayne and Oakland counties. The counties sell tax notes, the proceeds of which are used to pay the Library for these property taxes. Oakland County remitted its share of the purchased delinquent real property taxes in August 2007. Wayne County remitted its share of the purchased delinquent real property taxes in August 2007. Both Wayne and Oakland County's shares of delinquent real property taxes have been recorded as revenue in the current year.

The 2006 taxable valuation of the Library district totaled \$2.3 billion, on which ad valorem taxes levied consisted of 0.9573 mills for the Library's operating purposes and 0.1572 mills for debt service. The ad valorem taxes levied raised \$2.2 million for operations and \$364,000 for debt service. These amounts are recognized in the respective Operating and Debt Service Funds financial statements as tax revenue.

Capital Assets - Generally, capital assets are defined by the Library as assets with an initial cost of more than \$500 and 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.

Library books, CDs, and audio and visual tapes which comprise the Library's collection are recorded as assets using various estimating techniques. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the \$500 capitalization threshold.

Northville District Library

Notes to Financial Statements November 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

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:

Buildings and improvements	50 years
Furniture and equipment	7-15 years
Collections	10 years

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.

Long-term Obligations - In the government-wide financial statements, long-term debt is reported as a liability in the governmental activities statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

Northville District Library

Notes to Financial Statements November 30, 2007

Note 2 - 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's investment policy permits investment in all investment vehicles allowable by state law.

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

Custodial Credit Risk of Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Library will not be able to recover the value of its investments. At year end, the Library had \$125,097 of bank deposits, of which \$100,000 was covered by FDIC insurance and the remainder was uninsured and uncollateralized. The Library's policy for custodial credit risk limits bank options to those approved by the board of trustees.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library's policy limits dealer options to those approved by the board of trustees. All dealers must be affiliated with a bank or shall be classified as reporting dealers in compliance with the uniform net capital rule. Dealers must also supply audited financial statements, state registration, and certification of compliance with the Library's investment policy. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pools	\$ 953,051	A-1	S&P

Northville District Library

Notes to Financial Statements November 30, 2007

Note 3 - Prior Period Adjustment

The accompanying financial statements for 2007 have been restated to correct an error related to the valuation of the cost of collection assets made in prior years. During the current year, the Library became involved in a new shared online system "director's workstation," which has enabled it to better track collection assets (books, videos, etc.). This system enables the Library to generate year-end reports which value the collection based on retail value of each individual item in the collection (categorized by type). Prior to the current year, the value of the collection for government-wide reporting purposes was computed using an estimation method. Due to the accuracy and reliability of the new system, the Library has restated the beginning collection inventory value for reporting purposes to that generated by the new system. The result was an adjustment to the collection value in the current year as shown below:

Government-wide Statement of Net Assets as of November 30, 2006

	As Originally Stated	As Restated	Effect of Change
Assets			
Cash and cash equivalents (Note 2)	\$ 795,974	\$ 795,974	\$ -
Capital assets - Net of accumulated depreciation (Note 4)	5,433,324	4,773,875	659,449
Total assets	6,229,298	5,569,849	659,449
Liabilities			
Accounts payable	156,782	156,782	-
Long-term debt (Note 5):			
Due within one year	275,000	275,000	-
Due in more than one year	3,000,000	3,000,000	-
Total liabilities	3,431,782	3,431,782	-
Net Assets			
Invested in capital assets - Net of related debt	2,158,324	1,498,875	659,449
Restricted - Debt service	90,379	90,379	-
Unrestricted	548,813	548,813	-
Total net assets	\$ 2,797,516	\$ 2,138,067	\$ 659,449

Northville District Library

Notes to Financial Statements November 30, 2007

Note 4 - Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

	Balance December 1, 2006	Additions	Disposals	Balance November 30, 2007
Governmental Activities				
Capital assets being depreciated:				
Buildings and improvements	\$ 4,639,524	\$ -	\$ -	\$ 4,639,524
Furniture and equipment	598,723	117,864	(8,936)	707,651
Collections	1,645,422	259,686	(156,188)	1,748,920
Subtotal	6,883,669	377,550	(165,124)	7,096,095
Accumulated depreciation:				
Buildings and improvements	1,020,695	92,790	-	1,113,485
Furniture and equipment	328,162	70,708	(4,468)	394,402
Collections	760,937	142,508	(124,870)	778,575
Subtotal	2,109,794	306,006	(129,338)	2,286,462
Net capital assets being depreciated	\$ 4,773,875	\$ 71,544	\$ (35,786)	\$ 4,809,633

Note 5 - Long-term Debt

Outstanding Debt

Long-term debt activity of the Library's governmental activities was as follows:

	Balance December 1, 2006	Reductions	Balance November 30, 2007	Due Within One Year
1998 Refunding Bonds, general obligation bonds with interest ranging from 4.00 percent to 6.00 percent, maturing through April 1, 2015	\$ 3,275,000	\$ 275,000	\$ 3,000,000	\$ 300,000

Defeased Debt

During 1998, the Library defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. At November 30, 2007, \$2,950,000 of bonds outstanding are considered defeased.

Northville District Library

Notes to Financial Statements November 30, 2007

Note 5 - Long-term Debt (Continued)

Debt Service Requirements

The annual requirements of governmental fund resources to service the general obligation bonds as of November 30, 2007 are as follows:

<u>Years Ending November 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 300,000	\$ 117,000	\$ 417,000
2009	325,000	101,500	426,500
2010	350,000	88,000	438,000
2011	370,000	73,600	443,600
2012	390,000	58,400	448,400
2013-2016	<u>1,265,000</u>	<u>77,300</u>	<u>1,342,300</u>
Total	<u>\$ 3,000,000</u>	<u>\$ 515,800</u>	<u>\$ 3,515,800</u>

Note 6 - Stewardship, Compliance, and Accountability

Budgetary Information - The annual budget is prepared and adopted by the Library board and 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 November 30, 2007 has not been calculated. There were no budget amendments during the current year. 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 revenue and expense line item basis, which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations. A comparison of actual results of operations to the budget as adopted by the Library board is included in the budgetary comparison schedules - General Fund - Operating Fund and Special Revenue Fund - Reserve Fund in the required supplemental information section.

Northville District Library

Notes to Financial Statements November 30, 2007

Note 6 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - The Library has the following significant expenditure budget variances:

	<u>Budget</u>	<u>Actual</u>
General Fund:		
Friends donation expense	\$ -	\$ 22,160
Transfer for future unfunded expenses	-	295,135

Based on the uncertain nature of donations, the Library does not budget for donation revenue and, as a result, it does not budget for related expenditures. Due to favorable results in the General Fund, the Library board approved a budget transfer of the residual General Fund balance to the Special Revenue Fund to be used for future unfunded expenses.

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 has purchased commercial insurance for medical benefit claims, participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, and participates in the Michigan Municipal Risk Management Authority (state pool member) (the "Authority") for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool and the Authority's state pool programs operate as common risk-sharing management programs for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. For the state pool program, a portion of the excess insurance coverage is underwritten by the Authority itself.

Note 8 - Postemployment Benefits

The Library reimburses Medicare insurance premiums for retirees eligible for Medicare. Currently, there are four employees eligible. A participating retiree's contribution rate varies based on a vesting schedule from 20 percent to 100 percent. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due; during the year, this amounted to \$4,083. During the year, the Library made a prefunding contribution of postemployment health care to a trust held by the Municipal Employees' Retirement System of Michigan (MERS) of \$100,000, bringing the cumulative prefunding contribution amount to approximately \$263,000.

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 Library's government-wide financial statements to recognize the cost of providing retiree healthcare coverage, and create a liability if not actuarially funded, 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 November 30, 2010. The most recent estimate by management of the potential effect of this pronouncement on the Library, which was done in 2002, indicated that the postemployment benefit liability would be underfunded by approximately \$2,800,000 at that time.

Note 9 - Defined Benefit Pension Plan

Plan Description

The Library participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all regular employees of 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 supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by resolution of the Library board.

Northville District Library

Notes to Financial Statements November 30, 2007

Note 9 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For the year ended November 30, 2007, the Library's annual pension cost of approximately \$94,300 for the plan was equal to the Library's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 12.9 percent per year, and (c) no postretirement benefit increases. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year trend information for the years ended November 30 is as follows:

	2005	2006	2007
Annual pension cost (APC)	\$ 84,000	\$ 91,500	\$ 94,300
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Three-year trend information for the actuarial valuation as of December 31 is as follows:

	2004	2005	2006
Actuarial value of assets	\$ 945,631	\$ 1,057,875	\$ 1,196,493
Actuarial accrued liability (AAL) (entry age)	\$ 1,293,536	\$ 1,376,361	\$ 1,511,963
Unfunded AAL (UAAL)	\$ 347,905	\$ 318,486	\$ 315,470
Funded ratio	73%	77%	79%
Covered payroll	\$ 560,270	\$ 574,674	\$ 589,041
UAAL as a percentage of covered payroll	62%	55%	54%

Northville District Library

Notes to Financial Statements November 30, 2007

Note 10 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Library's funds differ 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 fund balance sheet and statement of revenue, expenditures, and changes in fund balances. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified accrual basis	\$ 990,422
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	4,809,633
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(3,000,000)
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	(30,000)
Compensated absences are not included as a liability in the funds	<u>(101,266)</u>
Total Net Assets - Full accrual basis	<u>\$ 2,668,789</u>

Northville District Library

Notes to Financial Statements November 30, 2007

Note 10 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements (Continued)

Net Change in Fund Balances - Modified accrual basis \$ 216,691

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 balances; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	377,550
Depreciation	(306,006)

Losses resulting from disposals of capital assets are reported in the statement of activities, but not in the fund financial statements	(35,786)
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Increase in accrual for long-term compensated absences is reported as an expenditure in the statement of activities, but not in the fund statements	(4,277)
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Decrease in accrual for interest payments on long-term debt is reported in the statement of activities, but not in the fund financial statements	7,550
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Repayments of bond principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	<u>275,000</u>
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Change in Net Assets - Full accrual basis \$ 530,722

Northville District Library

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

Note 11 - Community Foundation Endowment Fund

The Library participates in an endowment program sponsored by the Community Foundation for Southeastern Michigan (an unrelated nonprofit foundation). The Library has established a permanent endowment fund held by the Community Foundation for Southeastern Michigan. The purpose of the endowment fund is to provide unrestricted operating support for the Library from the endowment earnings. Funds are donated by outside donors for the benefit of the organization and are held and managed by the Community Foundation for Southeastern Michigan. Earnings are available for distribution to the organization for operations at the discretion of the Foundation; therefore, interest and principal balances are not reflected in the financial statements of the Library.

Required Supplemental Information

Northville District Library

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

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues				
Property taxes:				
Township support	\$ 1,856,891	\$ 1,856,891	\$ 1,881,611	\$ 24,720
City support	319,234	319,234	310,399	(8,835)
Tax refunds	(7,000)	(7,000)	(8,267)	(1,267)
State, local, and other:				
State aid	21,000	21,000	21,733	733
Single business tax	-	-	3,075	3,075
Penal fines	30,000	30,000	34,345	4,345
Universal Service Fund	-	-	5,987	5,987
Interest earnings	30,000	30,000	47,022	17,022
Library fines	38,000	38,000	42,010	4,010
Rentals:				
Library book rentals	1,000	1,000	581	(419)
Room rental	600	600	525	(75)
Printing services:				
Copier revenue	3,500	3,500	3,489	(11)
Printer revenue	4,000	4,000	4,664	664
Donations:				
Private donations	-	-	285	285
Friends donations	-	-	25,200	25,200
Gift books	-	-	1,340	1,340
Total revenues	2,297,225	2,297,225	2,373,999	76,774
Expenditures				
Personnel:				
Wages and salaries	961,000	961,000	956,923	4,077
Fringe benefits	352,000	352,000	328,919	23,081
MERS retiree health prefunding	100,000	100,000	100,000	-
Education and training	15,000	15,000	6,169	8,831
Workers' compensation	3,500	3,500	2,003	1,497
Payroll services	5,000	5,000	4,581	419
Membership fees	4,000	4,000	2,812	1,188

Northville District Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Operating Fund (Continued) Year Ended November 30, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Expenditures (Continued)				
Building and utilities:				
Building maintenance	\$ 100,000	\$ 150,000	\$ 124,766	\$ 25,234
Liability and property insurance	25,000	25,000	24,072	928
Electric	65,000	65,000	57,696	7,304
Housekeeping	41,000	41,000	33,642	7,358
Gas	25,000	25,000	25,211	(211)
Contractual services	7,500	7,500	7,602	(102)
Telephone	5,700	5,700	4,039	1,661
Housekeeping supplies	5,400	5,400	5,302	98
Water	7,500	7,500	6,019	1,481
Acquisitions:				
Books and subscriptions	238,000	238,000	234,561	3,439
Operating supplies	26,000	26,000	21,673	4,327
Electronic products	35,000	35,000	30,476	4,524
Book rental purchases	2,500	2,500	987	1,513
Support services:				
Technology	40,000	40,000	39,821	179
Auto circular system service	25,000	25,000	24,037	963
Telecommunications	17,000	17,000	17,326	(326)
The Library Network/Baker Taylor fees	10,000	10,000	4,946	5,054
Special programs	14,000	14,000	13,093	907
Copier expense	10,400	10,400	6,561	3,839
Postage	12,000	12,000	1,612	10,388
Other:				
Legal services	10,000	10,000	2,102	7,898
Leased equipment	1,500	1,500	1,586	(86)
Public relations	30,000	30,000	24,920	5,080
Auditing services	7,200	7,200	5,800	1,400
Advertising	500	500	223	277
Donation expenses:				
Book donation expense	-	-	1,978	(1,978)
Friends donation expense	-	-	22,160	(22,160)
Total expenditures	2,201,700	2,251,700	2,143,618	108,082
Transfers out:				
Designated for building preservation and RFID	90,000	90,000	90,000	-
Designated for future unfunded expenses	-	-	295,135	(295,135)
Net Change in Fund Balance	\$ 5,525	\$ (44,475)	\$ (154,754)	\$ (110,279)

Northville District Library

Required Supplemental Information Budgetary Comparison Schedule - Special Revenue Fund - Reserve Fund Year Ended November 30, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues - Interest earnings	\$ -	\$ -	\$ 25,484	\$ 25,484
Expenses - MERS healthcare contribution	-	-	-	-
Residual Equity Transfer In	-	-	385,135	385,135
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410,619</u>	<u>\$ 410,619</u>



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February 18, 2008

To the Library Board Members
Northville District Library
212 West Cady Street
Northville, MI 48167

Dear Board Members:

We recently completed the audit of the financial statements for Northville District Library (the "Library") for the year ended November 30, 2007. In addition to the audit report, we offer the following comments and recommendations for your consideration:

New auditing rules effective December 31, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

Internal Control

We noted during our audit, that in response to a recommendation from the prior year audit, the Library made an effort to improve segregation of duties over the cash receipts/deposits system. An employee outside of the accounting function is now responsible for counting cash on hand and agreeing to the sales report obtained from the circulation desk prior to the administrative assistant depositing the money in the bank and recording in the accounting system. While it is often difficult to implement proper segregation of duties in a lean organization such as yours, we commend the Library for the effort put forth during the current year to improve internal controls in this area.

Capital Asset Management

During discussions with Library personnel in the current year, we learned that the Library has a manual system for tracking capital asset purchases (namely equipment and furniture). We recommend that the Library consider investing in a basic capital asset software program as this will provide for greater efficiency and less administrative work for the Library personnel.

Fund Balances

As we have discussed previously, the Library's operating millage is capped and is also subject to potential annual reductions as a result of the Headlee Amendment. Property taxes account for 92 percent of the Library's operating revenue. Increased defaults in the housing market, including in the Northville area, have contributed to declining property values which has been well publicized. In the near term, taxable values will likely not decline as dramatically as market values have, thus cushioning the impact to the Library's revenues. However, it is still an area of concern and should be carefully considered during budget discussions.

During the current year, the Library transferred \$385,135 to the Reserve Fund from the Operating Fund, which increased the Reserve Fund fund balance to approximately \$940,000. This balance is designated to fund facility and capital projects, technology advances, retiree health care, and other expenditures.

The Library continues to demonstrate strong fiscal responsibility. However, we continue to remind management that there is no substitute for consistent and conservative long-range planning. Please continue placing emphasis on this process.

Postemployment Benefits

The Library continues to make progress in the funding levels of retiree health care. An additional deposit of \$100,000 was made to the MERS retiree healthcare trust during the year, to reach a cumulative funding amount of \$263,006. The new Governmental Accounting Standards Board statement will take effect for the Library in 2009. We encourage management to continue to prepare for the impact of this new pronouncement, which will require the Library to report its total retiree healthcare obligation as well as its progress toward funding the liability.

We would again like to thank Julie Herrin and Judith Williams for the courtesy and cooperation extended to us during the audit. If you have any questions or require assistance in the implementation of our recommendations, please feel free to contact us.

Very truly yours,

Plante & Moran, PLLC



Beth A. Bialy



Christopher Jones