Michigan Department of Treasury
496 (Rev.06/08)

Auditing Procedures Report

Instructions and MuniCodes | *=Required Fields | Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* WOODLANDS LIBRARY COOPERATIVE	County* CALHOUN	Type* LIBRARY	MuniCode* 13-8-002
Opinion Date-Use Calendar* Nov 5, 2008	Audit Submitted-Use Calendar* Nov 12, 2008	Fiscal Year End Month* 09	Fiscal Year* 2008

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

- [x] ? 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- [x] ? 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- [x] ? 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- [x] ? 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- [x] ? 5. Did the local unit adopt a budget for all required funds?
- [x] ? 6. Was a public hearing on the budget held in accordance with State statute?
- [x] ? 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- [x] ? 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- [x] ? 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- [x] 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- [x] ? 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- [ ] ? 12. Is the local unit free of repeated reported deficiencies from previous years?
- [x] ? 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- [x] 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- [x] ? 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- [x] ? 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- [x] ? 18. Are there reported deficiencies? [x] 19. If so, was it attached to the audit report?

General Fund Revenue: ?	$ 766,087.00	General Fund Balance: ?	$ 721,324.00
General Fund Expenditure: ?	$ 484,403.00	Governmental Activities Long-Term Debt (see instructions): ?	$ 0.00
Major Fund Deficit Amount:	$ 0.00		

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DEBORAH A.	Last Name* SABO	Ten Digit License Number* 1101025211		
CPA Street Address* ONE SOUTH MONROE STR.	City* MONROE	State* MI	Zip Code* 48161	Telephone* +1 (734) 241-7200
CPA Firm Name* COOLEY HEHL WOHLGAMU	Unit's Street Address* 415 SO. SUPERIOR, SUITE A	Unit's City* ALBION	Unit's Zip* 49224	

WOODLANDS LIBRARY COOPERATIVE
Albion, Michigan

ANNUAL FINANCIAL REPORT
2008 and 2007

WOODLANDS LIBRARY COOPERATIVE

ANNUAL FINANCIAL REPORT

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COOLEY HEHL
WOHLGAMUTH & CARLTON
P. L. L. C. Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Woodlands Library Cooperative
Albion, Michigan 49224

We have audited the accompanying financial statements of Woodlands Library Cooperative as of and for the years ended September 30, 2008 and 2007, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Woodlands Library Cooperative as of September 30, 2008 and 2007, and the respective changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2008, on our consideration of Woodlands Library Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of audits performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 5-8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Directors
Woodlands Library Cooperative

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Woodlands Library Cooperative's basic financial statements. The schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

Cooley Hehl Wohlgamuth + Carlton

November 5, 2008

COOLEY HEHL
WOHLGAMUTH & CARLTON
P. L. L. C.
Certified Public Accountants

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Woodlands Library Cooperative
Albion, Michigan 49224

We have audited the basic financial statements of Woodlands Library Cooperative as of and for the years ended September 30, 2008 and 2007, which collectively comprise the Woodlands Library Cooperative's basic financial statements and have issued our report thereon dated November 5, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Woodlands Library Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Woodlands Library Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Woodlands Library Cooperative's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Woodlands Library Cooperative's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Woodlands Library Cooperative's financial statements that is more than inconsequential will not be prevented or detected by Woodlands Library Cooperative's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Woodlands Library Cooperative's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
Woodlands Library Cooperative

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodlands Library Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Woodlands Library Cooperative in a separate letter dated November 5, 2008.

This report is intended solely for the information and use of management and the Library of Michigan and is not intended and should not be used by anyone other than these specified parties.

Cooley Hehl Wohlgamuth & Carlton

November 5, 2008

Using this Annual Report
This annual report consists of the *Independent Auditor's Reports,* the *Management's Discussion and Analysis* (this section), the *basic financial statements, and other supplemental information.* The basic financial statements also include notes that explain some of the information in the financial statements and provides more detailed data. The statements are followed by a section of *other supplemental information* that further explains and supports the information in the financial statements.

Required Financial Statements
The Cooperative's financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about their activities. The statement of Net Assets includes all of the Cooperative's assets and liabilities. This statement provides information about the nature of the assets and the obligations of the Cooperative. In addition, this statement provides the basis for evaluating the capital structure of the Cooperative and assessing the liquidity and financial flexibility of the Cooperative.

All of the revenues and expenses for the current year are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures how well the Cooperative covered the costs for services during the past year. The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to the origins of income, the uses, and the changes in the cash balance during the reporting period.

Condensed Financial Information
Table I below compares key financial information of the Cooperative's Statement of Net Assets.

Table I:

Condensed Statement of Net Assets
September 30
(in thousands)

	2008	2007	2006
Total Current Assets	$714.8	$445.1	$435.6
Net Capital Assets	15.9	3.5	6.6
Total Assets	730.7	448.6	442.2
Total Current Liabilities	9.4	9.0	7.9
Invested in Capital Assets	15.9	3.5	6.6
Unrestricted Assets	705.4	436.1	427.6
Total Net Assets	$721.3	$439.6	$434.3

Condensed Financial Information (Concluded)
The Cooperative's net assets increased by $281,684 this year compared to a $5,392 increase in the prior year. The primary reason was the addition of 13 new member libraries (321,617 service population) and their per capita share contribution of $270,558 to Woodlands reserve fund. State Aid accounted for 54% of Woodlands' income this year due to the increase of income from Capital libraries contribution to Woodlands reserve fund. State Aid remains 36% below what is authorized by PA 89 of 1977.

Woodlands members moved to MeLCat (Michigan's statewide interlibrary loan system) starting in the summer of 2007. This change reduced the Cooperative's expenses by an estimated $120,000. With the additional population of 321,617, Woodlands State Aid income would have totaled $550,495. To offset the member libraries higher interlibrary loan costs, Woodlands did not collect $136,763 of the members State Aid monies and also gave interlibrary loan grants of $44,496 to the members.

Table II compares key financial information of the Cooperative's Statement of Revenues, Expenses, and Changes in Net Assets.

Table II:

Changes in Net Assets
Years Ended September 30
(in thousands)

	2008	2007	2006
Operating Revenues	$742.6	$649.2	$431.4
Operating Expenses	484.4	662.4	451.6
Operating Income	258.2	(13.2)	(20.2)
Net Nonoperating Revenues	23.5	18.6	16.1
Changes in Net Assets	281.7	5.4	(4.1)
Beginning Net Assets	439.6	434.2	438.4
Ending Net Assets	$721.3	$439.6	$434.3

The Cooperative operates with one fund, an enterprise fund on a full accrual basis of accounting similar to private sector companies. The Cooperative's primary source of revenue is from direct and indirect state aid. Direct state aid accounts for 36%, while indirect state aid paid by member libraries accounts for 18%, and the thirteen new member's contribution to Woodlands' reserve fund accounted for 35%. State aid accounted for 54% of Woodlands' income and 38% came from the 13 new members contribution to Woodlands. Interest revenue increased over last years total due to the 13 members contribution to Woodlands even though interest rates declined.

The number of libraries and total population served increased, while expenses for programs were reduced. Resource sharing (interlibrary loan) decreased an estimated $120,000 with the shift from the Cooperative ILL system to the statewide MeLCat. To compensate the member libraries for the change, Woodlands did not collect $136,763 of the members' State Aid monies and also provided interlibrary loan grants of $44,496 to the members. Delivery costs increased 24% because of the 13 new members and higher fuel costs. Technology services costs increased with the purchase of a new mobile computer lab and two gaming labs. Continuing education costs increased because of the additional members, increased number of workshops offered, and commitment to fund at least one well known speaker each year. General and administrative costs increased 6% due to higher health care, cost of living increases, and serving 13 additional libraries.

Capital Assets and Debt Administration
Capital assets increased by $15,879 this year for the purchase of a new mobile computer lab. The depreciation expense for the year was $3,457.

The Cooperative does not have any debt obligations.

Budgetary Highlights
Over the course of the year, the Governing Board amended the budget to take into account events that occurred during the year. Budgeted revenue was increased from $368,297 to $714,284 when State Aid was approved at $0.32 per capita. Revenue was increased again when the Cooperative received $270,558 from the 13 new members. Revenue was revised downward when the Board approved that the member libraries pay only $0.16 of their $0.32 per capita State Aid for Cooperative services.

Expenses were modified to reflect $20,000 increase in ILL costs to provide service to member libraries waiting to get in MeLCat, $20,000 to purchase a second computer lab, and $44,496 to support ILL service grants to member libraries.

Budgeted expenses were $463.1 and $454.7 for 2008 and 2007 respectively. Salaries increased by 5.3%. Delivery services contracts increased 20% from 2007 with the addition of 13 new members and more frequent stops at class IV libraries. Office costs increased with the purchase of a new mobile training lab and two gaming labs.

Economic Factors and Next Year's Budgetary Highlights
State aid revenue for 2007-08 is based on $0.96 cents per capita, 36% below the $1.50 cents cap. State Aid remains an unstable funding source for Cooperatives based on the State of Michigan's budget crisis. It is anticipated that State Aid will be decreased during the coming year to reflect the down turn in the States economy.

The State Librarian proposed a new model for State Aid that did not include funding of Library Cooperatives. However, the model was not supported by the library community. Hiawathaland, the smallest of the 12 cooperatives, went out of business on September 30, 2008. Northland, now the smallest, is also in trouble and may close this year. The Guidelines on how State Aid is paid to library cooperatives and public libraries are being rewritten as Rules. When the Rules are finally approved, Woodlands Plan of Service will have to be revised to conform to the new Rules requirements. MeLCat changed how Interlibrary Loan (ILL) Service is provided. Woodlands moved from a vendor based system (Auto-Graphics Agent) to the statewide MeLCat ILL system. The change saved Woodlands an estimated $120,000. Woodlands still provides ILL service for materials not available in MeLCat. State Aid monies are used to pay statewide delivery costs for all member locations based on service population. Training and advocacy have been expanded with additional training programs and the use of videoconferencing.

The Library of Michigan is looking at developing core services which will be provided by all Cooperatives. Core services will most likely be defined by the State versus member libraries in each cooperative.

The addition of 13 new member libraries increased Woodlands reserve funds by $270,558 which is a one-time increase.

Contacting the Cooperative's Financial Management

This financial report is designed to provide the Cooperative's citizens, taxpayers, customers, and creditors with a general overview of the Cooperative's finances. If you have any questions about this report or need additional financial information, contact the Woodlands Library Cooperative, 415 South Superior, Suite A, Albion, MI 49224-2135.

WOODLANDS LIBRARY COOPERATIVE

Statements of Net Assets
September 30, 2008 and 2007

	2008	2007
Assets		
Current Assets:		
Cash	$705,219	$421,484
Accounts receivable	441	0
Prepaid expenses	9,167	23,667
Total Current Assets	714,827	445,151
Capital Assets:		
Office equipment	30,111	30,111
Furniture and fixtures	5,204	5,204
Other equipment	48,359	32,480
	83,674	67,795
Less: Allowance for depreciation	67,774	64,317
Total Capital Assets	15,900	3,478
Total Assets	730,727	448,629
Liabilities		
Current Liabilities:		
Deposits - member libraries	0	674
Other liabilities	9,403	8,315
Total Liabilities	9,403	8,989
Net Assets		
Invested in capital assets	15,900	3,478
Unrestricted	705,424	436,162
Total Net Assets	$721,324	$439,640

See accompanying notes to the basic financial statements.

WOODLANDS LIBRARY COOPERATIVE

Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended September 30, 2008 and 2007

	2008	2007
Operating Revenues		
State aid to cooperative	$279,595	$211,411
State aid from members	136,763	206,217
Gates computer grant	45,320	216,700
Capital Library Cooperative per capita share	270,558	0
Other	10,335	14,839
Total Operating Revenues	742,571	649,167
Operating Expenses		
Programs:		
Interloan and reference	108,056	70,427
Delivery	113,799	91,358
Union database	27,905	112,057
Periodical purchasing	4,200	4,200
Training	12,454	4,244
	266,414	282,286
Gates computer grant	45,320	216,808
General and administrative	172,669	163,260
Total Operating Expenses	484,403	662,354
Net Operating Income (Loss)	258,168	(13,187)
Nonoperating Revenues (Expenses)		
Interest	23,516	18,579
Change in Net Assets	281,684	5,392
Net Assets - Beginning of Year	439,640	434,248
Net Assets - End of Year	$721,324	$439,640

See accompanying notes to the basic financial statements.

WOODLANDS LIBRARY COOPERATIVE

Statements of Cash Flows
For the Years Ended September 30, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities:		
Receipts from state and members	$696,810	$434,839
Receipts from grants	45,320	216,700
Payments to suppliers	(370,024)	(555,241)
Payments to employees	(96,008)	(91,224)
Net Cash Provided (Used) by Operating Activities	276,098	5,074
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(15,879)	(2,434)
Cash Flows from Investing Activities:		
Interest	23,516	18,579
Net Increase (Decrease) in Cash and Cash Equivalents	283,735	21,219
Cash and Cash Equivalents - Beginning of Year	421,484	400,265
Cash and Cash Equivalents - End of Year	$705,219	$421,484
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$258,168	($13,187)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	3,457	5,571
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Accounts receivable	(441)	2,372
Prepaid expenses	14,500	9,264
Increase (Decrease) in liabilities:		
Deposits - member libraries	(674)	674
Other liabilities	1,088	380
Total Adjustments	14,473	12,690
Total cash provided by operating activities	$276,098	$5,074

There were no noncash investing and financing transactions for the years ending September 30, 2008 and 2007.

See accompanying notes to the basic financial statements.

WOODLANDS LIBRARY COOPERATIVE

Capital Library Cooperative Agency Fund
Statement of Fiduciary Net Assets
September 30, 2008

	Capital Library Cooperative
Assets	
Cash	$0
Liabilities	
Deposit	$0

See accompanying notes to the basic financial statements.

Note 1 Purpose

The financial statements of the Cooperative include all accounts controlled by or dependent on the Cooperative board. The purpose of Woodlands Library Cooperative is to: (1) extend and improve access to library services and materials for each child, youth, and adult of the Cooperative region appropriate to his or her informational and recreational needs; (2) improve and strengthen resources and services of member libraries; (3) encourage continued growth and development of library services to the citizens of the State of Michigan.

Note 2 Authority

The establishment of the Cooperative is based on Public Act 89 of 1977.

Note 3 Summary of Significant Accounting Policies

The accounting policies of the Cooperative conform to accounting principles generally accepted in the United States of America applicable to governments. The financial activities of the Cooperative are recorded within one fund, categorized and described as an enterprise fund. This enterprise fund reports operations that provide services which are financed primarily by direct and indirect state aid.

Significant accounting policies followed by Woodlands Library Cooperative are described below to enhance the usefulness of the financial statements to the reader:

a) Basis of Accounting

The Cooperative's financial statements are prepared on the accrual basis of accounting; consequently, revenues are recognized when they are earned and expenses are recognized when they are incurred. Operating revenues are charges for all exchange transactions for services which include direct state aid and indirect state aid. Operating expenses are all the costs necessary to provide services and conduct programs. General and administrative costs are also operating expenses. Nonoperating revenues represent revenue sources that are primarily non-exchange in nature such as interest.

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 they are needed.

b) Capital Assets

Items capitalized are valued at cost and depreciated by the straight-line method over the estimated useful lives of the assets. The Cooperative maintains a capitalization threshold of one thousand dollars.

Depreciation expense was $3,457 for 2007-08 and $5,571 for 2006-07. The following estimated lives were used to determine the depreciation expense for the periods ending September 30, 2008 and 2007:

Office Equipment	5 years
Furniture	10 years
Other Equipment	3-5 years

c) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Woodlands Library Cooperative considers cash and petty cash as cash and cash equivalents.

Note 3 Summary of Significant Accounting Policies (Concluded)

d) Governmental Accounting Standards Board

In accordance with GASB Statement 20, the Cooperative has elected not to apply the FASB statements and interpretations issued after November 30, 1989, to its financial statements.

Note 4 Deposits With Financial Institutions

Statutes authorize Woodlands Library Cooperative to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; banker's acceptances of U.S. bank repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency.

Public Act 367 of 1982 (know as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At September 30, 2008, Woodlands Library Cooperative had invested in such a fund with a local bank. The Cooperative is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

The Cooperative believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Cooperative evaluates each financial institution with which it deposits Cooperative funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Board of Directors has adopted an investment policy authorizing certain types of investments and authorized the depositories: National City Bank and Homestead Savings Bank. The carrying amount of deposits is displayed on the balance sheet as cash.

Interest rate risk. The Cooperative's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Cooperative will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Cooperative's investment policy.

Concentration of credit risk. The Cooperative does not place any limits on the amount the Cooperative may deposit or invest in any one issuer.

Note 4 Deposits With Financial Institutions (Concluded)

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned or the Cooperative will not be able to recover the collateral securities in the possession of an outside party. The Cooperative has $721,119 and $875,236 for 2008 and 2007 respectively invested in checking accounts and money markets. The Cooperative's deposits are insured by the FDIC in the amount of $12,119 and $12,236 for 2008 and 2007 respectively, with uninsured deposits of $709,000 and $863,000 for 2008 and 2007 respectively. The Cooperative's deposits are at institutions with an established record of fiscal health and service. The Cooperative Board approves and designates a list of authorized depository institutions. The Cooperative's investment policy does not address deposit risk.

Foreign currency risk. The Cooperative is not authorized to invest in investments which have this type of risk.

Note 5 Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

	Balance at October 1, 2007	Additions	Retirements	Balance at September 30, 2008
Capital assets being depreciated:				
Office equipment	$30,111	$0	$0	$30,111
Furniture and fixtures	5,204	0	0	5,204
Other equipment	32,480	15,879	0	48,359
Totals at historical cost	67,795	15,879	0	83,674
Less accumulated depreciation:				
Office equipment	(28,621)	(853)	0	(29,474)
Furniture and fixtures	(5,204)	0	0	(5,204)
Other equipment	(30,492)	(2,604)	0	(33,096)
Total accumulated depreciation	(64,317)	(3,457)	0	(67,774)
Net capital assets	$3,478	$12,422	$0	$15,900

Note 6 State Aid to Cooperative

The State granted aid directly to library cooperatives based on a rate per capita of $0.3263 for 2007-08 and $0.395 for 2006-07.

Note 7 State Aid from Members

The State granted aid to public libraries belonging to a cooperative to purchase services which are provided by the cooperative. The rate per capita of $0.1623 (50% of $0.3263 was invoiced) for 2007-08 and $0.395 for 2006-07 was based on the "qualified" populations in the service areas of the public libraries.

Note 8 Expenses

The Cooperative incurred the following expenses to member libraries during the fiscal year ended September 30, 2008 and 2007 for contracted services, projects and grants:

Payee	2008 Amount	2007 Amount
Monroe County Library System	$ 67,482	$139,924
Lenawee County Library	6,150	13,064
Van Buren Library	6,150	11,081
Branch County Library	4,865	7,806
Michigan Library Consortium	67,696	38,495
Jackson District Library	19,050	-
ILL Lending Libraries	14,572	-
	$185,965	$210,370

Note 9 Compensated Absences

Woodlands Library Cooperative does accrue vacation pay for its employees as of the year end. The amount of unused vacation pay was $9,403 and $8,315 as of September 30, 2008 and 2007, respectively.

Note 10 Pension Plan

The Cooperative provides a defined contribution pension benefit plan for employees who are at least 21 years old and have completed one year of service. The plan is through Ameriprise Financial and was effective October 1, 1994. The Cooperative contributes 10% of the employee's wages to the plan and they are 100% vested immediately. Employees are not required to contribute to the plan. The costs for the fiscal years ending September 30, 2008 and 2007, were $9,600 and $9,123, respectively. For the fiscal year ending September 30, 2008, the covered payroll was $96,019 out of a total payroll of $98,660. For the fiscal year ending September 30, 2007, the covered payroll was $91,224 out of a total payroll of $93,865.

Note 11 Fiscal Agent for Capital Library Cooperative

Woodlands Library Cooperative performed duties as the fiscal agent for the Capital Library Cooperative pursuant to the terms of the agreement beginning August 1, 2007. The Capital Library Cooperative was dissolved effective September 30, 2007. A majority of the Capital Library Cooperative's members transferred to the Woodlands Library Cooperative, and the remaining members transferred to another State Library Cooperative. Receipts and disbursements are recorded in the Capital Library Cooperative agency fund. The detail for the Capital Library Cooperative agency fund is on page 18. The funds in the agency fund were totally disbursed by September 30, 2008.

WOODLANDS LIBRARY COOPERATIVE

Schedules of General and Administrative Expenses
September 30, 2008 and 2007

	2008	2007
Salaries	$96,008	$91,224
Board members	1,957	1,737
Payroll taxes	6,870	6,639
Employee benefits	19,807	19,626
Pension	9,600	9,123
Workers' compensation	294	271
Postage	891	538
Office supplies	1,209	1,085
Office internet	500	500
Periodicals	610	175
Contracted services	4,000	3,300
Professional services	5,330	4,245
Memberships	1,075	1,039
Telephone	1,596	174
Travel	3,716	4,351
General insurance	1,199	1,226
Repair and maintenance	5,038	3,277
Office rent	8,415	8,400
Bank charges	751	551
Professional collection	346	208
Depreciation	3,457	5,571
	$172,669	$163,260

WOODLANDS LIBRARY COOPERATIVE

Capital Library Cooperative Agency Fund
Statement of Changes in Assets and Liabilities
September 30, 2008

	Balance October 1, 2007	Receipts	Disbursements	Balance September 30, 2008
Assets				
Cash	$445,606	$74,217	$519,823	$0
Liabilities				
Deposit	$445,606	$74,217	$519,823	$0

Schedule of Receipts and Disbursements

	2008
Deposit - Beginning of year	$445,606
Receipts	
Cash	61,908
State aid from members	6,613
Interest	1,772
Other	3,924
Total Receipts	74,217
Disbursements	
Delivery	7,827
Woodlands Library Cooperative per capita share	270,558
White Pines Library Cooperative per capita share	236,969
General and administrative	4,469
Total Disbursements	519,823
Deposit - Ending of year	$0

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Certified Public Accountants

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Certified Public Accountants

Board of Directors
Woodlands Cooperative Library
Calhoun County, Michigan

In planning and performing our audit of the financial statements of Woodlands Library Cooperative as of and for the years ended September 30, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, we identified the following deficiency in internal control that we consider to be significant deficiency.

Financial Statements

As is common with smaller and medium sized entities, the Cooperative has historically relied on their independent auditors to assist in the preparation of the financial statements and footnotes. As a compensating control, the Cooperative carefully reviews the draft of the financial statements and notes prior to approving and accepting responsibility for their content and presentation.

This communication is intended solely for the information and use of the Board of Directors, management, others within the Cooperative and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Cooley Hehl Wohlgamuth & Carlton

November 5, 2008

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November 5, 2008

Board of Directors
Woodlands Cooperative Library
Calhoun County, Michigan

We have audited the financial statements of the business-type activities of Woodlands Library Cooperative for the years ended September 30, 2008 and 2007 and have issued our report thereon dated November 5, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 12, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 12, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Woodlands Library Cooperative are described in Note 3 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending September 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the allowance of doubtful accounts is based on the state aid to cooperatives. We evaluated the key factors and assumptions used to develop an estimate of a zero percent for the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the Board of Directors and management of Woodlands Library Cooperative and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Cooley Hehl Wohlgamuth & Carlton