BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE

County of Macomb, Michigan

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

September 30, 2008

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
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BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

INDEPENDENT AUDITOR'S REPORT

December 15, 2008

Board of Trustees
Suburban Library Cooperative
County of Macomb, Michigan

Honorable Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Suburban Library Cooperative as of September 30, 2008, and for the year then ended which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Suburban Library Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the remaining fund information of the Suburban Library Cooperative as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

The management's discussion and analysis on pages 3 through 5 and budgetary comparison schedule on page 23, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Suburban Library Cooperative's basic financial statements. The other supplemental information is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

BUSS & COMPANY, P.C.

Buss & Company, P.C.

Certified Public Accountants

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Using this Annual Report

This annual report consists of four parts - *Management's discussion and analysis* (this section), the *basic financial statements*, *required supplemental information*, *and other supplemental information*. The basic financial statements include information that presents two different views of the Cooperative:

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the Cooperative's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Cooperative as a whole and present a longer-term view of the Cooperative's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The fund financial statements include information on the Cooperative in more detail than the government-wide financial statements. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Cooperative's sources and uses of funds. The Fiduciary Fund financial statements provide information about activities for which the Cooperative is solely acting as an agent for a non-profit organization.

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

Condensed Financial Information

The table below provides key financial information in a condensed format for the current year and prior year.

	2008	2007
Current assets	$3,700,613	$3,473,152
Capital assets	124,522	186,320
Total Assets	$3,825,135	$3,659,472
Other liabilities	$ 650,412	$ 545,679
Total Liabilities	$ 650,412	$ 545,679
Net Assets:		
Invested in capital assets	$ 124,522	$ 186,320
Unrestricted	3,050,201	2,927,473
Total Net Assets	$3,174,723	$3,113,793
Revenue:		
State revenues	$ 582,650	$ 703,970
Charges for services	988,298	977,438
Other	91,168	198,718
Total Revenue	$1,662,116	$1,880,126
Expenses - Cooperative services	$ 670,802	$ 756,215
- Automation system operations	930,384	854,174
Total Expenses	$1,601,186	$1,610,389
Change in Net Assets	$ 60,930	$ 269,737

(Continued)

The Cooperative as a Whole

- The Cooperative's net assets increased by $60,930 this year. This reflects that current users, and other supporters of the Cooperative have paid the full cost of operating the Cooperative, even after depreciation.
- The Cooperative's primary sources of revenue are from charges for services to its members, representing 59% of total revenue and state revenues representing 35% of total revenue. Remaining revenue came from investment earnings and miscellaneous revenue.
- Total expenses were 96% of total revenue for the year ended September 30, 2008. Salaries and fringe benefits amount to approximately 33% of total expenditures.

The Cooperative's Funds

The Cooperative uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the Cooperative is being accountable for the resources provided and insight into the Cooperative's financial health.

The Cooperative's major funds are as follows:

General Fund - The General Fund is used to account for the governmental activities and general operations of the Cooperative. This fund records revenues and expenditures using the modified accrual basis of accounting. The fund balance of the General Fund decreased during the year by $46,497. The total General Fund fund balance at September 30, 2008 was $903,849.

Proprietary Fund - The Proprietary Fund is used to report the business-type activities and to record the revenues, expenses and resulting income for the shared automation system. The fund reported an increase in net assets of $109,419. Net assets of the Proprietary Fund at September 30, 2008 were $2,263,299. In addition, the Cooperative maintains a Fiduciary Fund to account for the activities of Macomb Literacy Partners, Inc., a non-profit corporation.

Cooperative Budgetary Highlights

Over the course of the year, the Cooperative Board amended the budget to take into account events that occurred during the year. Budgeted revenues were amended to reflect a decrease in state funding. Expenditures were decreased where possible.

Capital Assets

At the end of the fiscal year, the Cooperative had $124,522 invested in net capital assets, including site improvements, office furniture and equipment, computer equipment and software. The Cooperative made no additional investment in capital assets this fiscal year.

(Continued)

Economic Factors and Considerations for Next Year

Funding from the State of Michigan continues to be uncertain. State aid funds were not included in the State budget cuts late fall 2008; however, further cuts in the State's budget are almost certain later in the fiscal year.

Two libraries will be leaving the Shared System late in fiscal year 2009. This will have a significant impact on the Proprietary Fund budget in fiscal year 2010.

The Cooperative continues to review the budget for cost savings.

The position of Cooperative Director was filled on a permanent basis in November 2008.

Contacting the Cooperative's Management

This financial report is intended to provide our citizens, members, customers and investors with a general overview of the Cooperative's finances and to show the Cooperative's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Cooperative Director at 44750 Delco Blvd., Sterling Heights, Michigan 48313.

Exhibit 1

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
STATEMENT OF NET ASSETS
September 30, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
	GENERAL FUND	PROPRIETARY FUND	TOTAL
ASSETS			
Cash and cash equivalents	$ 769,121	$1,364,434	$2,133,555
Certificates of deposit	500,847	502,996	1,003,843
Investments - Federal Home Loan Bank Bonds	143,785	287,571	431,356
Prepaid expenses	3,943	9,185	13,128
Due from other governmental units	118,731	-	118,731
Capital assets, net	7,575	116,947	124,522
Total Assets	$1,544,002	$2,281,133	$3,825,135
LIABILITIES			
Accounts payable	$ 12,557	$ 4,704	$ 17,261
Due to member libraries	609,404	-	609,404
Deferred revenue	8,480	-	8,480
Accrued salaries	2,137	13,130	15,267
Total Liabilities	$ 632,578	$ 17,834	$ 650,412
NET ASSETS			
Invested in capital assets	$ 7,575	$ 116,947	$ 124,522
Unrestricted	903,849	2,146,352	3,050,201
Total Net Assets	$ 911,424	$2,263,299	$3,174,723

See accompanying notes to financial statements.

Exhibit 2

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2008

FUNCTIONS/PROGRAMS:	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS	GOVERNMENTAL ACTIVITIES: NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	BUSINESS-TYPE ACTIVITIES: NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	TOTAL
Primary Government:						
Governmental Activities:						
Cooperative services/operations	$ 670,802	$ -	$ -	($670,802)	$ -	($ 670,802)
Business-Type Activities:						
Automation system/operations	930,384	988,298	-	-	57,914	57,914
Total	$1,601,186	$988,298	$ -	($670,802)	$ 57,914	($ 612,888)
GENERAL REVENUES:						
State revenues				$582,650	$ -	$ 582,650
Interest on investments				34,663	51,505	86,168
Other miscellaneous				5,000	-	5,000
Total General Revenues and Special Item				$622,313	$ 51,505	$ 673,818
CHANGE IN NET ASSETS				($ 48,489)	$ 109,419	$ 60,930
NET ASSETS:						
Beginning of year				959,913	2,153,880	3,113,793
End of year				$911,424	$2,263,299	$3,174,723

See accompanying notes to financial statements.

Exhibit 3

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
GENERAL FUND
BALANCE SHEET
September 30, 2008

ASSETS	
Cash and cash equivalents	$ 769,121
Certificates of deposit	500,847
Investments - Federal Home Loan Bank Bonds	143,785
Due from other governmental units	118,731
Prepaid expenses	3,943
Total Assets	$1,536,427
LIABILITIES	
Accounts payable	$ 11,957
Due to member libraries	609,404
Due to other funds	600
Deferred revenue	8,480
Accrued salaries	2,137
Total Liabilities	$ 632,578
FUND BALANCE	
Unrestricted	903,849
Total Liabilities and Fund Balance	$1,536,427

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Exhibit 4

SUBURBAN LIBRARY COOPERATIVE
GENERAL FUND
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS
September 30, 2008

TOTAL FUND BALANCE - GENERAL FUND		$903,849
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in the governmental activities are not financial resources and are not reported in the General Fund:		
Capital assets	$ 56,252	
Accumulated depreciation	(48,677)	
		7,575
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		$911,424

See accompanying notes to financial statements.

Buss & Company, P.C.
Certified Public Accountants
Clinton Township, Michigan

Exhibit 5

SUBURBAN LIBRARY COOPERATIVE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For The Year Ended September 30, 2008

REVENUES:	
State aid - Direct	$290,715
- Indirect	291,935
Interest	34,663
Miscellaneous	5,000
Total Revenues	$622,313
EXPENDITURES:	
Personnel:	
Salaries and employee benefits	$178,675
Travel, conferences and training	2,049
Administrative services:	
Professional services	7,502
Operating costs	45,514
Lease	12,997
Utilities	5,106
Cooperative services:	
Centralized purchasing	275,000
Continuing education	6,705
Delivery	92,750
Interlibrary loan	36,614
Special projects	5,898
Total Expenditures	$668,810
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	($ 46,497)
FUND BALANCE - OCTOBER 1, 2007	950,346
FUND BALANCE - SEPTEMBER 30, 2008	$903,849

See accompanying notes to financial statements

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Exhibit 6

SUBURBAN LIBRARY COOPERATIVE
GENERAL FUND
RECONCILIATION OF FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
September 30, 2008

EXCESS OF REVENUES OVER EXPENDITURES - GENERAL FUND	($ 46,497)
Amounts reported for governmental activities in the Statement of Activities are different because:	
The General Fund reports capital outlays as expenditures; in the Statement of Activities, these costs are capitalized and depreciated over their useful lives as depreciation	
Capital outlay	-
Depreciation expense	(1,992)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	($ 48,489)

See accompanying notes to financial statements.

Exhibit 7

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
PROPRIETARY FUND
BALANCE SHEET
September 30, 2008

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$1,364,434
Certificates of deposit	502,996
Investments - Federal Home Loan Bank Bonds	287,571
Prepaid expenses	9,185
Total Current Assets	$2,164,186
NONCURRENT ASSETS:	
Capital assets, net of depreciation	116,947
Total Assets	$2,281,133

LIABILITIES

CURRENT LIABILITIES:	
Accounts payable	$ 4,704
Accrued salaries	13,130
Total Liabilities	$ 17,834

NET ASSETS

Invested in capital assets	$ 116,947
Unrestricted	2,146,352
Total Net Assets	$2,263,299
Total Liabilities and Net Assets	$2,281,133

See accompanying notes to financial statements.

Exhibit 8

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For The Year Ended September 30, 2008

REVENUES:	
Member terminal rental	$ 963,032
Equipment maintenance	25,266
Total Operating Revenues	$ 988,298
EXPENSES:	
Administration:	
Salaries and employee benefits	$ 347,949
Travel, conferences and training	11,702
Automation System:	
Depreciation	59,807
Maintenance	199,451
Telecommunications	15,928
Internet	91,487
Cataloging	142,410
Professional services	7,760
Operating costs	53,890
Total Operating Expenses	$ 930,384
OPERATING INCOME	$ 57,914
NON-OPERATING REVENUES:	
Interest	51,505
CHANGE IN NET ASSETS	$ 109,419
NET ASSETS - OCTOBER 1, 2007	2,153,880
NET ASSETS - SEPTEMBER 30, 2008	$2,263,299

See accompanying notes to financial statements.

Exhibit 9

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from members	$ 988,298
Cash paid to suppliers for goods and services	(608,307)
Cash paid to employees	(255,976)
Net Cash Flows - Operating Activities	$ 124,015
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	$ 51,505
Change in value of investments	(5,992)
Net Cash Flows - Investing Activities	$ 45,513
NET INCREASE IN CASH	$ 169,528
CASH AND CASH EQUIVALENTS - OCTOBER 1, 2007	1,697,902
CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2008	$1,867,430
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 57,914
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	59,807
(Increase) decrease in:	
Due from other governmental units	12,790
Prepaid expenses	(9,185)
Increase (decrease) in:	
Accounts payable	(646)
Accrued salaries	3,335
Net Cash Flows - Operating Activities	$ 124,015

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Exhibit 10

SUBURBAN LIBRARY COOPERATIVE
FIDUCIARY FUND
STATEMENT OF NET ASSETS
September 30, 2008

ASSETS	
Cash and cash equivalents	$238,188
Investments - Cisco Systems	2,108
Accounts receivable	500
Capital assets (Net of depreciation)	11,605
Total Assets	$252,401
LIABILITIES	
Accounts payable	$ 5,858
Accrued salaries	698
Total Liabilities	$ 6,556
NET ASSETS	
Unrestricted	245,845
Total Liabilities and Net Assets	$252,401

See accompanying notes to financial statements.

Exhibit 11

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET ASSETS
For The Year Ended September 30, 2008

REVENUES:	
Community contributions:	
Unrestricted	$129,362
Restricted	3,000
Read to Me Program revenues	27,600
Grants	37,500
Interest	3,431
Total Revenues	$200,893
EXPENSES:	
Personnel:	
Salaries	$101,275
Benefits	29,692
Insurance	1,401
Contracted services	33,573
Administration:	
Operating expenses	21,667
Training expenses	1,276
Postage	2,673
Memberships	732
Depreciation	4,691
Loss on disposal of equipment	1,037
Total Expenses	$198,017
CHANGE IN NET ASSETS	$ 2,876
NET ASSETS - OCTOBER 1, 2007	242,969
NET ASSETS - SEPTEMBER 30, 2008	$245,845

See accompanying notes to financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Suburban Library Cooperative (the "Cooperative") 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:

A. GOVERNMENTAL REPORTING ENTITY

The Suburban Library Cooperative operates under the authority of P.A. 89 of 1977. The Cooperative provides services to its member libraries. The Cooperative is governed by an appointed nine member board representative of the participating libraries. The Cooperative has no component units as defined by the Governmental Accounting Standards Board.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements are reported using the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. 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.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Cooperative's net assets are reported in two parts - invested in capital assets and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to member libraries who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. State revenues and other items are not properly included among program revenues, and are reported instead as general revenue.

Fund Financial Statements

Governmental fund financial statements are reported using 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. Expenditures generally are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Cooperative.

(Continued)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Fund Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Cooperative's proprietary fund is charges to member libraries for the shared automation system. Operating expenses for the proprietary funds include administrative expenses and the cost of operating the automation system including depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Proprietary Fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Fees collected for maintenance are recognized when billed.

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

The Proprietary Fund is used to record the revenues and expenses and resulting change in net assets of the Cooperative's shared automation system for member libraries.

Additionally, the Cooperative includes a Fiduciary Fund which is used to account for the revenues and expenses of Macomb Literacy Partners, Inc., a non-profit corporation.

C. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Cash Equivalents, Certificates of Deposit and Investments

The Cooperative is authorized to invest surplus funds in U.S. bonds and notes, certificates of deposit repurchase agreements, and certain investment pools that are composed of authorized investments. During the year ended September 30, 2008, the Cooperative invested in U.S. bonds, certificates of deposit, and investment pools.

For purposes of the statement of cash flows, the Cooperative considers all short-term investments with an original maturity of six months or less to be cash equivalents.

(Continued)

C. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Capital Assets

Capital assets are defined by the Cooperative as assets with an initial cost of more than $1,000 and an estimated useful life in excess of two years. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other 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:

Furniture and equipment	5-10 years
Site improvements	5 years
Computer equipment and software	3-5 years

Compensated Absences

It is the Cooperative's policy to permit employees to accumulate earned but unused vacation pay. There is no liability for unpaid accumulated sick leave since the Cooperative does not pay any amounts when employees separate from service. A liability for vacation pay benefits and related payroll taxes has been recorded in all funds at September 30, 2008.

Fund Equity

In the fund financial statements, the General Fund reports 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. Designation of fund balance represents tentative management plans that are subject to change.

D. USE OF ESTIMATES

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

Annual operating budgets consistent with generally accepted accounting principles are formally adopted for the General Fund and the Proprietary Fund. The budgets can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end.

(Continued)

A. BUDGETS (Continued)

During the year ended September 30, 2008, the Cooperative exceeded appropriated amounts in the following expenditure classifications:

	APPROPRIATION	EXPENDITURE	BUDGET VARIANCE
GENERAL FUND:			
Operating costs	$ 40,000	$ 45,514	($ 5,514)
Utilities	5,000	5,106	(106)
Delivery	92,680	92,750	(70)
Special projects	-	5,898	(5,898)
PROPRIETARY FUND:			
Salaries and employee benefits	337,000	347,949	(10,949)
Maintenance	175,000	199,451	(24,451)
Professional services	3,000	7,760	(4,760)

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

Deposits are carried at cost plus accrued interest which approximates fair value.

At year end, the Cooperative's deposits were reported in the basic financial statements in the following categories:

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	FIDUCIARY FUNDS	TOTAL PRIMARY GOVERNMENT
Cash and cash equivalents	$ 769,121	$1,364,434	$238,188	$2,371,743
Certificates of Deposit	500,847	502,996	-	1,003,843
Total	$1,269,968	$1,867,430	$238,188	$3,375,586

As of September 30, 2008, the Cooperative had the following investments:

	MATURITY	S & P RATING	CARRYING AMOUNT	FAIR VALUE
Federal Home Loan Bank Bonds	11/15/2028	AAA	$431,356	$431,356
Cisco Systems	-	N/R	2,108	2,108
			$433,464	$433,464

Credit Risk - The Cooperative's investments are limited by state statues. The Cooperative has no investment policy that would further limit its investment choices.

(Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. The Cooperative does not have a deposit policy for custodial credit risk. As of September 30, 2008, $2,588,578 of the Cooperative's bank balance of $3,788,578 was exposed to custodial credit risk as follows:

DEPOSITS	INSURED (FDIC)	UNINSURED AND UNCOLLATERALIZED	CARRYING AMOUNT	BANK BALANCE
Demand Deposits	$ 100,000	$1,616,163	$1,299,328	$1,716,163
Money Market Funds	100,000	972,415	1,072,415	1,072,415
Certificates of Deposit	1,000,000	-	1,003,843	1,000,000
	$1,200,000	$2,588,578	$3,375,586	$3,788,578

Effective October 2008, the FDIC increased the amount of funds insured to $250,000. This will help the Cooperative to reduce its custodial credit risk.

B. CAPITAL ASSETS

Capital asset activity of the Cooperative was as follows:

	BALANCE OCTOBER 1, 2007	ADDITIONS	DISPOSALS AND ADJUSTMENTS	BALANCE SEPTEMBER 30, 2008
GOVERNMENTAL ACTIVITIES:				
Capital assets being depreciated:				
Office furniture and equipment	$ 56,252	$ -	$ -	$ 56,252
Accumulated depreciation	(46,685)	(1,992)	-	(48,677)
Total Governmental Activities Capital Assets, Net	$ 9,567	($ 1,992)	$ -	$ 7,575
BUSINESS-TYPE ACTIVITIES:				
Capital assets being depreciated:				
Computer equipment and software	$1,075,986	$ -	($ 4,361)	$1,071,625
Site improvements	191,393	-	-	191,393
Total	$1,267,379	$ -	($ 4,361)	$1,263,018
Accumulated depreciation:				
Computer equipment and software	($ 960,725)	($ 44,618)	$ 4,361	$1,000,982
Site improvements	(129,900)	(15,189)	-	145,089
Total	($1,090,625)	($ 59,807)	$ 4,361	$1,146,071
Total Business-Type Activities Capital Assets, Net	$ 176,754	($ 59,807)	$ -	$ 116,947

(Continued)

IV. PENSION PLAN

The Cooperative has established a Simplified Employee Pension Plan. The contribution is a percent of salaries as determined by the governing body of the Cooperative. The contribution for the year ended September 30, 2008 was approximately $52,200 on covered payroll of approximately $347,700. Total payroll for the year ended September 30, 2008 was approximately $453,300. The plan covers employees of the Cooperative who are age 18 and over and have been employed for six months. Contributions are made directly into IRA accounts set up for each employee with a Franklin Investors Trust.

V. DEFERRED COMPENSATION PLAN

The Cooperative participates in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by ICMA Retirement Corporation under an administrative service agreement. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

ICMA Retirement Corporation is responsible for plan administration. The Cooperative does not have any fiduciary or administrative responsibility for the plan. Therefore, the plan assets are not reported in the Cooperative's financial statement.

VI. RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, unemployment benefits, as well as medical and workers' compensation benefits provided to employees. The Cooperative has purchased commercial insurance for workers' compensation, general liability, health, and life claims.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years.

VII. LEASES

In September 2006, the Cooperative entered into an agreement to lease building space. The term of the lease is for ten years from January 1, 2007 to December 31, 2016. There is an option to terminate in the event the State of Michigan ceases to appropriate funds to library cooperatives. Future minimum lease payments under the lease are as follows:

For The Year Ending September 30	
2009	$ 44,915
2010	51,204
2011	53,364
2012	55,515
2013	57,672
2014 and thereafter	202,125
	$464,795

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION

BUSS & COMPANY, P.C.
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CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For The Year Ended September 30, 2008

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES:				
State aid - Direct	$351,428	$289,175	$290,715	$ 1,540
- Indirect	351,428	289,175	291,935	2,760
Interest	45,000	45,000	34,663	(10,337)
Miscellaneous	2,000	2,000	5,000	3,000
Total Revenues	$749,856	$625,350	$622,313	($ 3,037)
EXPENDITURES:				
Personnel:				
Salaries and employee benefits	$215,000	$215,000	$178,675	$ 36,325
Travel, conferences and training	7,000	5,000	2,049	2,951
Administrative services:				
Professional services	20,000	10,000	7,502	2,498
Operating costs	56,000	40,000	45,514	(5,514)
Lease	12,997	13,000	12,997	3
Utilities	5,000	5,000	5,106	(106)
Cooperative services:				
Centralized purchasing	275,000	275,000	275,000	-
Continuing education	7,179	7,000	6,705	295
Delivery	92,680	92,680	92,750	(70)
Interlibrary loan	59,000	51,000	36,614	14,386
Special projects	-	-	5,898	(5,898)
Total Expenditures	$749,856	$713,680	$668,810	$ 44,870
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ -	($ 88,330)	($ 46,497)	$ 41,833

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

OTHER SUPPLEMENTAL INFORMATION

BUSS & COMPANY, P.C.
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CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For The Year Ended September 30, 2008

	BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES:			
Member terminal rental	$ 947,600	$963,032	$ 15,432
Equipment maintenance	25,000	25,266	266
Total Operating Revenues	$ 972,600	$988,298	$ 15,698
EXPENSES:			
Administration:			
Salaries and employee benefits	$ 337,000	$347,949	($ 10,949)
Travel, conferences and training	15,000	11,472	3,528
Automation System:			
Depreciation	125,000	59,807	65,193
Maintenance	175,000	199,451	(24,451)
Telecommunications	35,000	15,928	19,072
Internet	100,000	91,487	8,513
Cataloging	145,000	142,410	2,590
Continuing education	3,000	230	2,770
Operating costs	79,600	53,890	25,710
Professional services	3,000	7,760	(4,760)
Total Operating Expenses	$1,017,600	$930,384	$ 87,216
OPERATING INCOME (LOSS)	($ 45,000)	$ 57,914	$102,914
NONOPERATING REVENUES:			
Interest	45,000	51,505	6,505
CHANGE IN NET ASSETS	$ -	$109,419	$109,419

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Schedule No. 3

SUBURBAN LIBRARY COOPERATIVE
FIDUCIARY FUND
STATEMENT OF CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For The Year Ended September 30, 2008

	BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES:			
Community contributions:			
Unrestricted	$154,000	$129,362	($ 24,638)
Restricted	-	3,000	3,000
Read to Me Program revenues	24,500	27,600	3,100
Grants	31,500	37,500	6,000
Interest	-	3,431	3,431
Total Revenues	$210,000	$200,893	($ 9,107)
EXPENSES:			
Personnel:			
Salaries	$116,000	$101,275	$ 14,725
Benefits	42,000	29,692	12,308
Insurance	1,500	1,401	99
Contracted services	25,000	33,573	(8,573)
Administration:			
Operating expenses	20,500	21,667	(1,167)
Postage	2,000	2,673	(673)
Repairs and maintenance	200	-	200
Memberships	1,000	732	268
Loss on disposal of assets	-	1,037	(1,037)
Training expenses	1,500	1,276	224
Equipment	300	-	300
Depreciation	-	4,691	(4,691)
Total Expenses	$210,000	$198,017	$ 11,983
CHANGE IN NET ASSETS	$ -	$ 2,876	$ 2,876

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

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MEMBERS
The American Institute of Certified Public Accountants

The Michigan Association of Certified Public Accountants

December 15, 2008

Board of Trustees
Suburban Library Cooperative
44750 Delco Blvd.
Sterling Heights, MI 48313

In planning and performing the audit of the financial statements of the Suburban Library Cooperative for the year ended September 30, 2008, we considered its internal control structure, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. The following items are presented that could affect the Suburban Library Cooperative's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

COMMENTS

The Cooperative's budgets were reviewed for compliance with the Uniform Accounting and Budgeting Act. The Act requires that expenditures in a specific appropriations account, in excess of the original budget, be approved by the Board with a transfer or supplemental appropriation. During the year ended September 30, 2008, expenditures in excess of the amount appropriated by the Board were incurred in certain accounts, which are identified in Note IIA.

As indicated in Schedule No. 1, on page 23, actual revenues for the General Fund were less than budgeted revenues by $3,037. Actual expenditures were less than budgeted expenditures by $44,870. Combined, these differences resulted in a favorable variance of $41,833 and indicates that management is operating within the approved budget, despite expenditures in excess of amounts appropriated for certain accounts.

COMMENTS
(Continued)

Schedule No. 2, on page 24, indicates actual revenues for the Proprietary Fund were greater than budgeted revenues by $22,203. Actual expenses were less than budgeted expenses by $87,216. The Proprietary Fund experienced an increase in net assets of $109,419. This difference represents a favorable variance and indicates that the fees being charged to the member libraries adequately covered the funds expenses.

Management should review budget amendment procedures and make improvements where necessary in order to reduce or eliminate these variances.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the administration of the Suburban Library Cooperative. This restriction is not intended to limit distribution of this report which, upon acceptance by the Suburban Library Cooperative, is a matter of public record.

Respectfully submitted,

BUSS & COMPANY, P.C.

Buss & Company, P.C.

Certified Public Accountants

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December 15, 2008

Board of Trustees
Suburban Library Cooperative
44750 Delco Blvd.
Sterling Heights, MI 48313

We have audited the financial statements of Suburban Library Cooperative for the year ended September 30, 2008, and have issued our report thereon dated December 15, 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 October 7, 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.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Suburban Library Cooperative. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters with Arthur Woodford, Interim Director, as reflected in our engagement letter dated October 7, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Suburban Library Cooperative are described in Note I to the financial statements. No new significant accounting policies were adopted and the application of existing policies were not changed during 2008. We noted no transactions entered into by the Cooperative 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. There were no estimates affecting the financial statements which were deemed sensitive in nature.

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 December 15, 2008, a copy of which is available from management.

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 Cooperative'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 Cooperative'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 use of the Board of Trustees and management of Suburban Library Cooperative and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BUSS & COMPANY, P.C.

Certified Public Accountants