

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name MONROE COUNTY LIBRARY SYSTEM	County MONROE
Fiscal Year End 12-31-07	Opinion Date 02-19-08	Date Audit Report Submitted to State 03-26-08			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

YES NO

Check each applicable box below. (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON CPA'S PLLC		Telephone Number (734) 241-7200		
Street Address ONE SOUTH MONROE STREET		City MONROE	State MI	Zip 48161
Authorizing CPA Signature 		Printed Name DEBORAH A. SABO		License Number 1101025211

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

ANNUAL FINANCIAL REPORT
December 31, 2007

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Table of Contents
December 31, 2007*

Independent Auditor's Report	1
Management's Discussion and Analysis	2-5
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Combining Balance Sheet	8
Reconciliation of Fund Balance to Net Assets	9
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	11
Fiduciary Fund:	
Statement of Plan Net Assets	12
Statement of Changes in Plan Net Assets	13
Notes to Financial Statements	14-25
Required Supplementary Information	
Budgetary Comparison Schedule:	
Operating Fund	26-27
Reserved/Designated Fund	28
Schedule of Funding Progress for the Monroe County	
Library System Retiree Health Care Benefits Plan and Trust.....	29
Schedule of Employer Contributions for the Monroe County	
Library System Retiree Health Care Benefits Plan and Trust.....	30



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

James R. Cooley, CPA
David K. Hehl, CPA
Robert W. Wohlgamuth, CPA
Peter H. Carlton, CPA
Matthew D. Hehl, CPA
Deborah A. Sabo, CPA

One South Monroe Street • Monroe, Michigan 48161-2281
Telephone: (734) 241-7200 • Fax: (734) 241-2637
www.chwccpa.com

Members:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
Division for CPA Firms American Institute of
Certified Public Accountants

Independent Auditor's Report

Board of Directors
Monroe County Library System
Monroe County, Michigan 48161

We have audited the accompanying basic financial statements of the Monroe County Library System, a component unit of the County of Monroe, Michigan, as of and for the year ended December 31, 2007. These basic financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Monroe County Library System, a component unit of the County of Monroe, Michigan, as of December 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the other required supplementary information on pages 2 through 5 and 26 through 30, respectively, 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.

A handwritten signature in cursive script that reads "Cooley Hehl Wohlgamuth & Carlton".

February 19, 2008

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Management's Discussion and Analysis
Year Ended December 31, 2007

Using this Annual Report

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

- The *government-wide financial statement* provides both *long-term* and *short-term* information about the Library's *overall* financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide information on the Library's operations under the modified accrual method. These governmental fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The reconciliation of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets provide information on the Retiree Health Care Benefits Plan and Trust. These fiduciary fund financial statements account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Library's own programs.

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

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Management's Discussion and Analysis
Year Ended December 31, 2007*

Condensed Financial Information

The table below compares key financial information of the government-wide financial statements in a condensed format between the current year and the prior year:

	<u>2007</u>	<u>2006</u>
Current assets	\$12,177,043	\$ 9,900,819
Capital assets	<u>9,157,597</u>	<u>8,882,625</u>
Total assets	<u>21,334,640</u>	<u>18,783,444</u>
Current liabilities	140,383	136,756
Deferred revenue	6,302,602	6,024,848
Other liabilities	<u>279,522</u>	<u>284,168</u>
Total liabilities	<u>6,722,507</u>	<u>6,445,772</u>
Net assets:		
Invested in capital assets, net of debt	9,157,597	8,882,625
Restricted for donor-restricted purpose	64,816	47,052
Unrestricted	<u>5,389,720</u>	<u>3,407,995</u>
Total net assets	<u>\$14,612,133</u>	<u>\$12,337,672</u>
Revenue:		
Property taxes	\$5,941,537	\$5,643,967
Other	<u>3,014,783</u>	<u>2,298,827</u>
Total revenue	8,956,320	7,942,794
Expenses - Library services	<u>6,681,859</u>	<u>7,399,581</u>
Change in net assets	<u>\$2,274,461</u>	<u>\$ 543,213</u>

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Management's Discussion and Analysis
Year Ended December 31, 2007*

The Library as a Whole

- The Library's change in net assets were \$2,274,461 this year compared to \$543,213 in the prior year.
- The Library's primary source of revenue is from property taxes which increased \$297,570 in 2007. Penal fines in 2007 accounted for 17.6% of revenue, down from 19.3% the previous year. The Library's interest income accounted for about 3.4% of total revenue.
- Personnel services continue to be the Library's most significant expense, representing 77% of the Library's total expenses. Staff was granted a 2% increase in 2007.
- Depreciation expense of \$152,177 represents approximately 2.2% of the Library's total expenses. The Library's long-term debt activity is in the form of lease payments equal to the debt service payment for the purchase of a facility at 840 South Roessler, the renovation of South Roessler, and reallocation of space for public service at the Ellis Reference and Information Center. These improvements began during 2007 using the \$2,000,000 Limited Tax General Obligation 2007 Building Authority Bonds. The Library paid \$46,625 in lease payments to the County of Monroe (this first year payment was for interest only).
- The decrease of \$717,722 in total expenses between the prior year and the current year is due primarily to the decrease in building improvements (the new facility was purchased in 2006) and the decrease in building lease expense (there was an additional principal payment of \$300,000 in 2006).

Library Budgetary Highlights for 2007

- Property tax revenue for 2007 was based on one mill. Penal fine revenue, as always, was budgeted conservatively due to the fluctuating nature of penal fines. Contractual services revenue decreased due to a reduction in the interlibrary loan, automation, and delivery contracts with Woodlands Library Cooperative. State aid revenue for 2007 was budgeted at 0.3968 cents per capita.
- A new Strategic Plan was approved covering 2007 through 2009. Goals in the plan that were targeted for 2007 were included in the budget. Building the Library's collection included expenditures for books, recorded books on cassette and compact disk, videos in DVD format and reference materials in print and electronic formats. The option of downloading audio books was expanded with additional juvenile titles now available.
- During 2007, hardware and software to enable digitization of library materials including a searching feature from within the library's catalog was purchased. The server for the Millennium automated circulation system was also upgraded.
- The Library Board renamed the facility on Roessler Street the Mary K. Daume Library Service Center in honor of Mary Daume, who served as library director for twenty-five years and who died in 2006. During 2007, work began on renovations to the facility, financed by the Monroe County Building Authority. The Library made its first payment on this debt service in 2007 (as a lease payment).

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Management's Discussion and Analysis
Year Ended December 31, 2007

Next Year's Funding (2008)

Taxes will generate 83% of the Library's revenue at \$6,310,441. This reflects property taxes of one mill as passed by voters in 2004.

State aid to Libraries remains an unstable funding source for libraries due to the continuing financial crisis in the State of Michigan. State aid for the 2007-2008 fiscal year was set at 0.3247 cents per capita. This generates \$93,666, just about one percent of the budget.

Penal fines are budgeted conservatively due to past patterns of wide fluctuations from one year to the next. Income from penal fines comprises about 12% of total projected revenues.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Statement of Net Assets
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Cash	\$1,019,651
Certificates of deposit	4,775,140
Prepaid expenses	5,840
Receivables:	
Accounts	36,773
Contracts	84,162
Taxes	6,218,440
Accrued interest	37,037
Capital assets, net of depreciation	<u>9,157,597</u>
 Total Assets	 21,334,640
 Liabilities	
Accounts payable	38,211
Accrued liabilities	102,172
Deferred revenue	6,302,602
Long-term liability:	
Accumulated employee benefits	<u>279,522</u>
 Total Liabilities	 6,722,507
 Net Assets	
Invested in capital assets, net of related debt	9,157,597
Restricted	64,816
Unrestricted	<u>5,389,720</u>
 Total Net Assets	 <u><u>\$14,612,133</u></u>

See accompanying notes to financial statements.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Statement of Activities
Year Ended December 31, 2007

Function/Program	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Changes in Net</u>
				<u>Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Library services/operations	<u>\$6,681,859</u>	<u>\$220,245</u>	<u>\$17,387</u>	(\$6,444,227)
General Revenues:				
				5,941,537
				114,011
				1,604,693
				308,631
				650,015
				<u>99,801</u>
				8,718,688
				<u>2,274,461</u>
				12,337,672
				<u>\$14,612,133</u>

See accompanying notes to financial statements.

Special Revenue Funds

Operating Fund - As a component unit of the County of Monroe, the operating fund of the Monroe County Library System operates as a special revenue fund. It is used to account for all financial resources except those that have been designated for specified purposes.

Reserved/Designated Fund - To account for financial resources restricted by outside sources or designated by the Board for specific purposes such as new facilities, maintenance, book endowment, equipment replacement, automation, capital, and other purposes.

Fiduciary Fund

Retiree Health Care Benefits Plan and Trust Fund - To account for assets held in trust for the exclusive purpose of providing health care benefits to eligible retirees and their beneficiaries who are receiving benefits from the Monroe County Employees Retirement System.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Combining Balance Sheet
December 31, 2007

	<u>Special Revenue Funds</u>		<u>Totals</u>
	<u>Operating</u>	<u>Reserved/ Designated</u>	
Assets			
Cash	\$1,002,264	\$17,387	\$1,019,651
Certificates of deposit	3,000,000	1,775,140	4,775,140
Prepaid expense	5,840	0	5,840
Receivables:			
Accounts	36,773	0	36,773
Contracts	84,162	0	84,162
Taxes	6,218,440	0	6,218,440
Accrued interest	37,037	0	37,037
	<u>\$10,384,516</u>	<u>\$1,792,527</u>	<u>\$12,177,043</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$38,211	\$0	\$38,211
Accrued liabilities	102,172	0	102,172
Deferred revenue	6,302,602	0	6,302,602
	<u>6,442,985</u>	<u>0</u>	<u>6,442,985</u>
Fund Balances			
Reserved:			
- Maybee facility	0	7,829	7,829
- Gates foundation grant	0	56,987	56,987
Unreserved:			
Designated:			
- maintenance	0	115,160	115,160
- operations	3,941,531	0	3,941,531
- endowment	0	78,494	78,494
- equipment replacement	0	328,742	328,742
- automation	0	370,958	370,958
- capital	0	834,357	834,357
	<u>3,941,531</u>	<u>1,792,527</u>	<u>5,734,058</u>
Total Fund Balances	<u>\$10,384,516</u>	<u>\$1,792,527</u>	<u>\$12,177,043</u>
Total Liabilities and Fund Balances	<u>\$10,384,516</u>	<u>\$1,792,527</u>	<u>\$12,177,043</u>

See accompanying notes to financial statements.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Reconciliation of Fund Balance to Net Assets
December 31, 2007*

	<u>Operating</u>	<u>Reserved/ Designated</u>	<u>Totals</u>
Total Fund Balances - Governmental Funds	\$3,941,531	\$1,792,527	\$5,734,058
Amounts reported in the statement of net assets are different because:			
Capital assets are not financial resources, and are not reported in the funds	9,157,597	0	9,157,597
Compensated absences are included as a liability	<u>(279,522)</u>	<u>0</u>	<u>(279,522)</u>
Total Net Assets - Governmental Activities	<u>\$12,819,606</u>	<u>\$1,792,527</u>	<u>\$14,612,133</u>

See accompanying notes to financial statements.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2007

	Special Revenue Funds		Totals
	Operating	Reserved/ Designated	
Revenues			
Taxes	\$5,941,537	\$0	\$5,941,537
State grants	131,398	0	131,398
Charges for services	220,245	0	220,245
Fines and forfeits	1,604,693	0	1,604,693
Interest	223,363	85,268	308,631
Other revenues	99,801	0	99,801
Total Revenues	8,221,037	85,268	8,306,305
Expenditures			
Cultural:			
Personnel services	5,156,514	0	5,156,514
Supplies	180,340	0	180,340
Charges and services	660,449	0	660,449
Capital outlay	964,174	0	964,174
Total Expenditures	6,961,477	0	6,961,477
Excess (Deficiency) of Revenues over Expenditures	1,259,560	85,268	1,344,828
Other Financing Sources (Uses)			
Transfer of funds from County of Monroe	650,015	0	650,015
Operating transfers in	0	56,987	56,987
Operating transfers out	(56,987)	0	(56,987)
Total Other Financing Sources (Uses)	593,028	56,987	650,015
Net Change in Fund Balances	1,852,588	142,255	1,994,843
Fund Balances - Beginning of Year	2,088,943	1,650,272	3,739,215
Fund Balances - End of Year	\$3,941,531	\$1,792,527	\$5,734,058

See accompanying notes to financial statements.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
Year Ended December 31, 2007*

Net Change in Fund Balances - Governmental Funds \$1,994,843

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

Library books and materials - additions	680,436
Library books and materials - deletions	(311,991)
Capital outlay	58,704
Depreciation	(152,177)

Decrease in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements	<u>4,646</u>
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Change in Net Assets of Governmental Activities \$2,274,461

See accompanying notes to financial statements.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Fiduciary Fund
Statement of Plan Net Assets
December 31, 2007*

	<u>Retiree Health Care Benefits Plan and Trust</u>
Assets	
Cash and cash equivalents	\$73,219
Receivables:	
Accounts receivable	14,661
Interest receivable	9,901
Investments, at fair value:	
U.S. treasuries	385,027
U.S. agencies	171,671
Corporate bonds	234,838
Corporate stocks	1,240,031
Money markets	68,962
Total investments	<u>2,100,529</u>
 Total assets	 2,198,310
 Liabilities	
Accounts payable	<u>32,773</u>
 Net Assets Held in Trust for other Postemployment benefits	 <u><u>\$2,165,537</u></u>

See accompanying notes to financial statements.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Fiduciary Fund
Statement of Changes in Plan Net Assets
December 31, 2007*

	<u>Retiree Health Care Benefits Plan and Trust</u>
Additions	
Contributions:	
Employer	\$580,115
Investment income:	
Net appreciation in fair value of investments	64,679
Interest	37,873
Dividends	26,299
Other	6,622
	<u>135,473</u>
Less investment expense	1,963
Net investment income	<u>133,510</u>
Total additions	713,625
Deductions	
Benefit payments	359,378
Administrative expenses	39,801
	<u>399,179</u>
Total deductions	<u>399,179</u>
Net Increase	314,446
Net Assets Held in Trust for other Postemployment benefits	
Net Assets - Beginning of year	<u>1,851,091</u>
Net Assets - End of year	<u>\$2,165,537</u>

See accompanying notes to financial statements.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2007

Note 1 Reporting Entity

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships.

The Monroe County Library System is a component unit of the County of Monroe, Michigan, the oversight unit. The Library is primarily funded through tax levy, fines and fees, and state aid. For financial reporting purposes, only the funds controlled by the Monroe County Library System are included in this report. By accounting principles generally accepted in the United States of America, these funds are required to be in the report of the oversight unit.

Note 2 Summary of Significant Accounting Policies

The accounting policies of the Monroe County Library System conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

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

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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 from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of operations. 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 Library's net assets are reported in three parts - invested in capital assets, net of related debt, restricted net 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 library patrons 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. Taxes and other items are not included among program revenues but are properly reported as general revenues.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Notes to Financial Statements
Year Ended December 31, 2007*

Note 2 Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

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 Library 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The accounts of the Monroe County Library System are organized on a basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into one generic fund type and one broad fund category as follows:

GOVERNMENTAL FUNDS

Special Revenue Fund

A Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Monroe County Library System operates as a special revenue fund of the County of Monroe. For purposes of this report, the general operating fund is reported separately from other restricted and designated funds. The County collects revenues for the Library and holds them until requested for Library expenditures. The Library's checking accounts are maintained on an imprest system with enough money transferred from the County to the Library to cover approved expenditures. Excess funds and investments are maintained by the County.

Fiduciary Fund

A Fiduciary Fund accounts for resources held for the benefit of parties outside of the government. The Monroe County Retiree Health Care Benefits Plan and Trust operates as a fiduciary fund of the Library. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value, which is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities.

B. Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical costs. The value of donated materials, except books, are recognized by the Monroe County Library System at their appraised value. Donated books are posted to a donor list but no appraised value is given. The appraised value of donated books, if calculated, would be immaterial to the financial statements.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2007

Note 2 Summary of Significant Accounting Policies (Continued)

B. Capital Assets (Concluded)

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:

Building improvements	10-39 years
Furniture and equipment	5-10 years
Vehicles	5 years

C. Long-Term Liabilities

Long-term liabilities expected to be financed from the governmental funds are accounted for in the Statement of Net Assets, not in the governmental fund.

- D. The Library reports deferred revenue on the balance sheet and the statement of net assets. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Library before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Library has legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

E. Budget

A budget is adopted by the Library Board of Trustees. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect the actual revenues and expenditures for this fund. The budget is adopted at the activity level. The Board of Trustees is authorized to transfer budget amounts within an activity and to make authorized amendments to the original approved budget. Unexpended appropriations lapse at year end.

F. Deposits

The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are carried at cost.

G. Receivables

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Property taxes are levied on December 1st based on the taxable valuation of the property as of the preceding December 31st. Taxes are considered delinquent on February 15th of the following year, at which time penalties and interest are assessed.

H. 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. Designation of fund balance represents tentative management plans that are subjective to change.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2007

Note 3 Deposits and Investments

Statutes authorize the Library 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; bankers' acceptances of U.S. banks, U.S. or agency 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 funds of the Library may not be deposited in financial institutions located in states other than Michigan.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At December 31, 2007, Monroe County Library System had invested in such a fund with a local bank. The Library 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 Library 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 Library evaluates each financial institution with which it deposits Library 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 has adopted an investment policy authorizing certain types of investments and authorized five depositories: Monroe Bank & Trust, Fifth Third Bank, National City Bank, Bank One, Charter One, Flagstar, and LaSalle Bank.

Interest rate risk. The Library'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 Library 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 Library's investment policy.

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

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Library's deposits may not be returned or the Library will not be able to recover the collateral securities in the possession of an outside party. The Library has \$5,794,791 invested in certificates of deposit, checking accounts, and money markets. The Library's deposits are insured by the FDIC in the amount of \$204,741, with uninsured deposits of \$5,590,050. The Library's deposits are at institutions with an established record of fiscal health and service.

The Library Board approves and designates a list of authorized depository institutions. The Library's investment policy does not address deposit risk.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Notes to Financial Statements
Year Ended December 31, 2007*

Note 3 Deposits and Investments (Continued)

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

Retiree Health Care Benefits Plan and Trust

Retiree Health Care Benefits Plan and Trust (Plan and Trust) investments are invested in accordance with the Investment Policy as established by the Board of Trustees and the Public Employee Retirement System Investment Act, PA 314 of 1965, as amended, and all other applicable federal, state and local law. The following is a summary of the Plan and Trust's investments as of December 31, 2007:

Investments at fair value, as determined

by quoted market prices:

Cash and cash equivalents	\$ 73,219
U.S. treasuries	385,027
U.S. agencies	171,671
Corporate bonds	234,838
Corporate stocks	1,240,031
Money market funds	<u>68,962</u>
	<u>2,100,529</u>
Total investments	<u>\$2,173,748</u>

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan and Trust's investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity.

As of December 31, 2007, maturities of the Plan and Trust's debt securities were as follows:

	Investment Maturities (fair value by years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	\$385,027	\$ -	\$242,590	\$142,437	\$ -
U.S. agencies	171,671	-	100,644	71,027	-
Corporate bonds	<u>234,838</u>	<u>992</u>	<u>178,522</u>	<u>23,254</u>	<u>32,070</u>
	<u>\$791,536</u>	<u>\$992</u>	<u>\$521,756</u>	<u>\$236,718</u>	<u>\$32,070</u>

Credit risk. The Plan and Trust 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 Plan and Trust's investment policy.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Notes to Financial Statements
Year Ended December 31, 2007*

Note 3 Deposits and Investments (Concluded)

As of December 31, 2007, the Plan and Trust's investments in debt securities were rated by Standard and Poor's as follows:

<u>Rating</u>	<u>U.S. agencies</u>	<u>Corporate bonds</u>
AAA	\$171,671	\$ 23,254
AA-	-	66,995
A+	-	23,073
A	-	67,682
A-	-	4,700
BBB+	-	16,071
B+	-	6,836
B-	-	4,556
CCC+	-	2,933
Unrated	-	18,738
	<u>\$171,671</u>	<u>\$234,838</u>

United States treasury securities are explicitly guaranteed by the U.S. government and not considered to have credit risk. The Plan and Trust's investments in money market funds are not rated.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan and Trust's investment in a single issuer. The Plan and Trust's investment policy requires that no manager will hold more than 5% of its portion of the total fund in any single company and no more than 5% at market of its portion of the total Plan may be held in any single common stock. However, all securities guaranteed by the U.S. Government of any U.S. Governmental Agency are exempt from this 5% limitation requirement.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Plan and Trust's deposits may not be returned or be able to recover the collateral securities in the possession of an outside party. The Plan and Trust's investment policy requires that securities be held in trust by a third-party institution in the Plan and Trust's name or its nominee custodian's name or in bearer form. Although uninsured and unregistered, the Plan and Trust's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the Plan and Trust's name. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Note 4 Related Party Transactions

The Library leases approximately 5.5 acres of land from Monroe County on which the Ellis Information Center is constructed. The Library provides no consideration to Monroe County under terms of this lease which expires in the year 2056. The financial statements do not include any valuation for contributed services by Monroe County or other library patrons.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Notes to Financial Statements
Year Ended December 31, 2007*

Note 5 Contracts Receivable

The Monroe County Library System is fiscal agent for the Woodlands Library Cooperative, a regional resource information service. The Library entered into several contracts with Woodlands which run through September 30, 2008. The contracts have various payment dates. The Library also entered into a contract with the City of Monroe for the provisions of maintenance, grounds keeping, utilities, janitorial services, and related costs for the City Library branches. Contracts receivable and \$84,162 of the deferred revenue represents the status of the contracts at December 31, 2007.

	<u>Face Amount of Contract</u>
Woodlands Library Cooperative:	
Interlibrary Loan Service	\$22,500
Cooperative Periodical Purchasing	2,450
Delivery	11,916
Fiscal Services	3,000
Automation Services	<u>10,046</u>
	49,912
 City of Monroe	 <u>34,250</u>
	 <u>\$84,162</u>

Note 6 Capital Assets

A summary of changes in capital assets follows:

	<u>Balance at January 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2007</u>
Building improvements	\$ 332,794	\$ -	\$ -	\$ 332,794
Furniture and equipment	941,807	56,705	(380,420)	618,092
Vehicles	122,791	1,999	-	124,790
Library collections	<u>8,249,610</u>	<u>680,436</u>	<u>(311,991)</u>	<u>8,618,055</u>
 Total	 9,647,002	 739,140	 (692,411)	 9,693,731
Less: Accumulated Depreciation	<u>(764,377)</u>	<u>(152,177)</u>	<u>380,420</u>	<u>(536,134)</u>
 Net Capital Assets	 <u>\$8,882,625</u>	 <u>\$586,963</u>	 <u>\$(311,991)</u>	 <u>\$9,157,597</u>

Depreciation is recorded using the straight-line method over ten to thirty-nine years for building improvements, five to ten years for furniture and equipment, and five years for vehicles.

Library collections consist of books, video materials, and recordings. The collections are recorded based on a year-end inventory. The value of the inventory is recorded using an average cost of fifteen dollars per unit.

The Library has a collection of artwork presented for public exhibition and education. The items in the collection are pieces of artwork that have won art shows or have won the library award. These pieces of artwork are available for loan to the public. The collection is not capitalized or depreciated as part of capital assets.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Notes to Financial Statements
Year Ended December 31, 2007*

Note 7 Property Taxes

The Library was authorized by a special election to levy 1.0 mill. The Library's 2007 property taxes were levied on December 1, 2006 on assessed valuations as of December 31, 2005. The taxable value for real and personal property for the year amounted to \$5,836,122,350 based on a percentage of the property's fair market value. Taxes levied December 1, 2007, totaling \$6,218,440 were recorded as taxes receivable and deferred revenue. At December 31, 2007, taxes receivable were \$6,218,440.

Note 8 Long-Term Liability for Compensated Absences

The personnel policy of the Library provides its full time employees the right to payment for unused vacation and sick time hours. Accumulation of unused sick time hours provides for conversion to vacation hours. The Library has estimated its long-term liability for these accumulated hours as of December 31, 2007 and such amounts are recorded in the statement of net assets.

The following is a summary of changes in long-term debt:

	Balance December 31, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2007</u>	Due in One Year
Compensated Absences	\$ <u>284,168</u>	\$ <u>215,586</u>	\$(<u>220,232</u>)	\$ <u>279,522</u>	\$ <u>-</u>

Note 9 Lease Commitments

On March 7, 2007, the Monroe County Municipal Building Authority 2007 Building Authority Limited Tax General Obligation Bonds were sold for \$8,600,000 with interest at 4.000% to 4.250%. These bonds are for the combined projects of the Monroe County Fair Association, the Monroe County Library, and the Monroe Community Mental Health Authority. The Monroe County Building Authority and the Monroe County Library have determined that the Library's portion of the Bonds issued is \$2,000,000 to finance the cost of the Library's project. The Library's project is to purchase a facility (840 South Roessler) to house the Library System's support services, the renovation of the South Roessler facility, and the reallocation of vacated space for additional public service at the Ellis Reference and Information Center. The Library purchased the facility at 840 South Roessler in 2006. After the bonds were sold in 2007, the County of Monroe transferred \$650,015 to the Library for reimbursement of the purchase of the facility. The County of Monroe and the Monroe County Municipal Building Authority entered into a Full Faith and Credit General Obligation Contract of Lease agreement to issue the \$2,000,000 bonds. The Monroe County Library System entered into a sub-contract to lease the Ellis Reference and Information Center and the South Roessler facility from the County of Monroe with lease payments equivalent to the annual debt service on the bonds. The Library's annual lease payment for 2007 was \$46,625.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Notes to Financial Statements
Year Ended December 31, 2007*

Note 9 Lease Commitments (Concluded)

Following are the annual lease payment obligations:

<u>Year</u>	<u>Amount</u>
2008	\$ 142,674
2009	143,628
2010	144,442
2011	145,116
2012	145,651
2013	146,047
2014	146,302
2015	147,558
2016	147,488
2017	148,419
2018	148,023
2019	148,628
2020	149,047
2021	149,138
2022	150,035
2023	150,685
2024	151,087
2025	151,243
2026	151,151
2027	<u>150,813</u>
	 <u>\$2,957,175</u>

The Library entered into an operating lease agreement with Lanier for a digital copier. The lease term is sixty (60) months, with monthly payments of \$2,424. Lanier has the right to revise the monthly payments to fair market value each year in February.

<u>Year</u>	<u>Imagistics</u>
2008	\$29,084
2009	29,084
2010	29,084
2011	<u>2,424</u>
	 <u>\$89,676</u>

Note 10 Pension

Plan Description

Full-time employees of Monroe County Library System are participants in the Monroe County Employees Retirement System. The County has a defined benefit pension plan covering substantially all its employees. The plan is operated by the County of Monroe. Additional significant information regarding the Monroe County Employees Retirement System pension plan and pension trust fund investments are included in the report of examination for the County of Monroe for the year ended December 31, 2007.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Notes to Financial Statements
Year Ended December 31, 2007*

Note 10 Pension (Concluded)
Funding Policy

Employees of the Library are not required to contribute to the plan. The Library is required to make annual contributions based on an actuarially computed percentage of covered wages in amounts sufficient to cover normal cost of benefits and amortize the prior service liabilities over a period of future years.

Annual Pension Cost

For the year ended December 31, 2007, the Library's annual pension cost for the plan was \$185,358. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal cost method. Significant actuarial assumptions used include (a) a 7.0 investment rate of return, (b) projected salary increases of 5.0 percent to 12.0 percent per year, and c) no cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. Liabilities created by plan changes, assumption changes, or method changes are amortized as a level percentage of payroll over a twelve year closed period. Liabilities created by plan experience and all other liabilities or overfunding are amortized as a level percentage of payroll over a nine year open period.

Three-Year Trend Information

	Valuation Ended December 31,		
	2004	2005	2006
Annual pension cost (APC)	\$ -	\$ -	\$ -
Percentage of APC contributed	100.00%	100.00%	100.00%
Net pension obligation	-	-	-
Actuarial value of assets	11,982,564	11,976,883	12,323,916
Actuarial accrued liability (entry age) (AAL)	9,721,348	10,560,759	11,198,395
Unfunded AAL (UAAL)	(2,261,216)	(1,416,124)	(1,125,521)
Funded ratio	123.30%	113.40%	110.1%
Covered payroll	2,135,126	3,663,901	3,539,227
UAAL as a percentage of covered payroll	(105.91)%	(38.65)%	(31.80)%

Note 11 Retiree Health Care Benefits Plan and Trust
Plan Description and Contribution Information

Membership of the plan consisted of the following at December 31, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	36
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>64</u>
Total	<u>100</u>

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Notes to Financial Statements
Year Ended December 31, 2007*

Note 11 Retiree Health Care Benefits Plan and Trust (Continued)

Plan Description and Contribution Information (Concluded)

Plan Description. The Monroe County Library System contributes to the Retiree Health Care Benefits Plan and Trust which was adopted on December 17, 2001. The Monroe County Library Retiree Health Care Benefits Plan and Trust (Plan and Trust) was established under the authority of the Public Employee Health Care Fund investment Act, Public Act 149 of 1999, and shall constitute a “voluntary employees beneficiary association” (“VEBA”) under Section 501 (c)(9) of the Internal Revenue Code, as amended. The assets of the Plan and Trust shall be held in trust for the exclusive purpose of providing health care and life insurance benefits to eligible retirees and their beneficiaries who are receiving retirement benefits from the Monroe County Employees Retirement System. The Plan and Trust is a single-employer defined benefit postemployment healthcare plan.

Contributions. Employees hired before October 21, 2002, are not required to contribute toward the cost of health insurance premiums. Employees hired after October 21, 2002, will earn 5% toward retiree health care premium coverage for each year of full time service with the Library. Also, an inflation cap was put in place for employees hired after October 21, 2002. Any employee hired after October 21, 2002, will be required to pay for health care premium increases in excess of 5% annually of the premium in effect at retirement. The required contribution changes each year as a result of all the experience of the Plan and Trust. Some of that experience affects the unfunded accrued liability. Contributions are calculated as a percentage of payroll. The Library’s contribution rate for 2007 was 22.61%. The Library’s contribution to the Plan and Trust for 2007 was \$580,115 to fund retiree health benefits as a result of an actuarial valuation as of December 31, 2005. The contributions were equal to the annual other post employment benefit cost (100% of the annual required contribution). The Library was returned \$359,378 to pay the 2007 current year costs of the retiree health benefits.

Funded Status and Funding Progress-OPEB Plans

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
12/31/2005	\$ 1,396,975	\$ 7,795,198	\$ 6,398,223	17.9%	\$ 2,217,575	288.5%
12/31/2006	1,897,990	9,367,257	7,469,267	20.3	2,407,192	310.3

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Notes to Financial Statements
Year Ended December 31, 2007*

Note 11 Retiree Health Care Benefits Plan and Trust (Concluded)

The accompanying schedule of employer contributions present trend information about the amounts contributed to the plan by the employer in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year. Unfunded actuarial liabilities were amortized by level (principal and interest combined) percent-of-payroll contributions over 26 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2006
Actuarial cost method	Entry age
Amortization method	Level percent of pay
Remaining amortization period	26 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Healthcare cost trend rate	10.0% initial, 4.0% ultimate

The Library System is permitted to invest assets of the plan and trust in investments, subject to the limitations governing the investment of assets of public employee retirement systems under the Public Employee Retirement System Investment Act, PA 314 of 1965, as amended. The assets of the Fund shall be invested in accordance with the Investment Policy as established by the Board of Trustees and the Public Employee Retirement System Investment Act.

Note 12 Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Library has purchased commercial insurance for property loss, torts, errors, omissions, and employee injuries.

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Operating Fund
Required Supplementary Information
Budgetary Comparison Schedule
Year Ended December 31, 2007

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues				
Taxes:				
Current levy	\$5,898,105	\$5,898,105	\$5,818,234	(\$79,871)
Industrial facilities	75,000	75,000	93,044	18,044
Other	7,000	7,000	30,259	23,259
	<u>5,980,105</u>	<u>5,980,105</u>	<u>5,941,537</u>	<u>(38,568)</u>
State grants:				
State aid	114,465	114,465	114,011	(454)
State grants	0	0	17,387	17,387
	<u>114,465</u>	<u>114,465</u>	<u>131,398</u>	<u>16,933</u>
Charges for services:				
Contractual services	204,924	204,924	188,564	(16,360)
Copy machine charges	15,000	15,000	19,428	4,428
Sale of publications	0	0	116	116
Sale of books and supplies	9,000	9,000	12,137	3,137
	<u>228,924</u>	<u>228,924</u>	<u>220,245</u>	<u>(8,679)</u>
Fines and forfeits:				
Penal fines	940,000	940,000	1,562,930	622,930
Overdue charges	45,000	45,000	41,763	(3,237)
	<u>985,000</u>	<u>985,000</u>	<u>1,604,693</u>	<u>619,693</u>
Interest	85,000	85,000	223,363	138,363
Other revenues:				
Special events and programs	0	0	19,541	19,541
Summer reading	4,000	4,000	4,000	0
Writers on the river	0	0	3,729	3,729
Gifts and bequests	0	0	2,666	2,666
Miscellaneous revenue	0	7,500	69,865	62,365
	<u>4,000</u>	<u>11,500</u>	<u>99,801</u>	<u>88,301</u>
Total Revenues	7,397,494	7,404,994	8,221,037	816,043
Expenditures				
Cultural:				
Personnel services:				
Salaries and wages	3,739,397	3,709,897	3,619,295	90,602
Payroll taxes	276,043	276,320	275,381	939
Fringe benefits	1,237,173	1,291,723	1,261,838	29,885
	<u>5,252,613</u>	<u>5,277,940</u>	<u>5,156,514</u>	<u>121,426</u>

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

Operating Fund
Required Supplementary Information
Budgetary Comparison Schedule
Year Ended December 31, 2007

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures (Concluded)				
Supplies:				
Postage	\$24,000	\$32,400	\$32,220	\$180
Office supplies	109,000	109,000	98,014	10,986
Other	12,500	12,500	12,498	2
Technology	67,000	67,000	37,608	29,392
	<u>212,500</u>	<u>220,900</u>	<u>180,340</u>	<u>40,560</u>
Charges and services:				
Professional services	86,000	95,000	80,732	14,268
Cooperative services	57,233	57,233	57,283	(50)
Telephone and dial-in access	199,080	149,080	139,466	9,614
Mileage and travel	40,000	40,000	36,583	3,417
Printing and binding	22,000	22,000	14,487	7,513
General insurance	50,000	50,000	44,911	5,089
Utilities	123,000	93,000	80,819	12,181
Repair and maintenance	192,700	197,200	125,795	71,405
Rentals	1,000	1,800	1,008	792
Other	32,500	33,900	28,591	5,309
Janitorial services	54,500	54,500	50,774	3,726
	<u>858,013</u>	<u>793,713</u>	<u>660,449</u>	<u>133,264</u>
Capital outlay:				
Equipment and building improvements	160,000	108,448	95,299	13,149
Books	515,000	515,000	454,324	60,676
Video materials	105,000	122,000	112,236	9,764
Periodicals and microfilm	60,000	60,000	46,380	13,620
Recordings	100,000	120,000	113,877	6,123
Software and electronic media	110,000	111,000	95,433	15,567
Building lease	250,000	296,625	46,625	250,000
	<u>1,300,000</u>	<u>1,333,073</u>	<u>964,174</u>	<u>368,899</u>
Total Expenditures	<u>7,623,126</u>	<u>7,625,626</u>	<u>6,961,477</u>	<u>664,149</u>
Excess (Deficiency) of Revenues over Expenditures	(225,632)	(220,632)	1,259,560	1,480,192
Other Financing Sources (Uses)				
Transfer of funds from County of Monroe	640,000	640,000	650,015	10,015
Operating transfers out	(39,600)	(39,600)	(56,987)	(17,387)
Total Other Financing Sources (Uses)	<u>600,400</u>	<u>600,400</u>	<u>593,028</u>	<u>(7,372)</u>
Net Changes in Fund Balances	374,768	379,768	1,852,588	1,472,820
Fund Balances - Beginning of Year	1,622,155	1,622,155	2,088,943	466,788
Fund Balances - End of Year	<u>\$1,996,923</u>	<u>\$2,001,923</u>	<u>\$3,941,531</u>	<u>\$1,939,608</u>

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Reserved/Designated Fund
Required Supplementary Information
Budgetary Comparison Schedule
Year Ended December 31, 2007*

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues				
Interest	\$80,782	\$80,782	\$85,268	\$4,486
Other Financing Sources (Uses)				
Operating transfers in	39,600	39,600	56,987	17,387
Net Changes in Fund Balances	120,382	120,382	142,255	21,873
Fund Balances - Beginning of Year	1,615,631	1,615,631	1,650,272	34,641
Fund Balances - End of Year	<u>\$1,736,013</u>	<u>\$1,736,013</u>	<u>\$1,792,527</u>	<u>\$56,514</u>

**MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN**

*Schedule of Funding Progress for the
Monroe County Library System Retiree Health Care Benefits Plan and Trust
December 31, 2007*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2003	\$1,128,169	\$7,220,874	\$6,092,705	15.6%	\$1,973,464	308.7%
12/31/2004	1,127,115	6,991,115	5,864,000	16.1	2,174,641	269.7
12/31/2005	1,396,975	7,795,198	6,398,223	17.9	2,217,575	288.5
12/31/2006	1,897,990	9,367,257	7,469,267	20.3	2,407,192	310.3

MONROE COUNTY LIBRARY SYSTEM
MONROE COUNTY, MICHIGAN

*Schedule of Employer Contributions for the
Monroe County Library System Retiree Health Care Benefits Plan and Trust
December 31, 2007*

<u>Year Ended December 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$358,814	100.0%
2004	382,923	100.0
2005	472,524	100.0
2006	482,305	100.0
2007	580,115	100.0



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

James R. Cooley, CPA
David K. Hehl, CPA
Robert W. Wohlgamuth, CPA
Peter H. Carlton, CPA
Matthew D. Hehl, CPA
Deborah A. Sabo, CPA

One South Monroe Street • Monroe, Michigan 48161-2281
Telephone: (734) 241-7200 • Fax: (734) 241-2637
www.chwcepa.com

Members:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
Division for CPA Firms American Institute of
Certified Public Accountants

Board of Directors
Monroe County Library System
Monroe County, Michigan

In planning and performing our audit of the financial statements of the Monroe County Library System as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Library'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 Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library'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 preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we identified the following deficiency in internal control that we consider to be a significant deficiency.

Financial Statements

The Library does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenues and expenditures, to track changes in capital assets, and to present required financial statement disclosures. As is the case with many smaller and medium-sized entities, the Library has historically relied on independent external auditors to assist in the preparation of the government-wide financial statements and footnotes. As a result of this condition, the Library lacks internal controls over the preparation of the financial statements in accordance with GAAP.

Board of Directors
Monroe County Library System

-2-

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

Very truly yours,

Cooly Hell Wohlgamuth & Carlton

February 19, 2008