

Auditing Procedures Report

Issued under P.A. 2 of 1958, 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 Orion Township Public Library		County Oakland	
Fiscal Year End December 31, 2007		Opinion Date March 12, 2008		Date Audit Report Submitted to State April 3, 2008			

We affirm that:

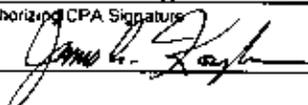
We are certified public accountants licensed to practice in Michigan.

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.)
- 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.
 - 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.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - 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.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - 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).
 - 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.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - 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) Doeren Mayhew Certified Public Accountants & Consultants		Telephone Number (248) 244-3000	
Street Address 755 West Big Beaver Road, Suite 2300		City Troy	State Zip MI 48084
Authorized CPA Signature 		Printed Name James A. Koepke	License Number 1101012623

ORION TOWNSHIP PUBLIC LIBRARY

FINANCIAL STATEMENTS

DECEMBER 31, 2007

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Independent Auditor's Report

To the Board of Trustees of the
Orion Township Public Library

We have audited the accompanying basic financial statements of the Orion Township Public Library as of December 31, 2007, and for the year then ended which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Orion Township Public Library'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

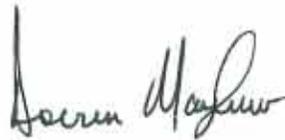
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Orion Township Public Library as of December 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

DOEREN MAYHEW

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Orion Township Public Library's basic financial statements. The required supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements of the Orion Township Public Library. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2008 on our consideration of the Orion Township Public Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



DOEREN MAYHEW

March 12, 2008
Troy, Michigan

ORION TOWNSHIP PUBLIC LIBRARY

BALANCE SHEET AND STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS DECEMBER 31, 2007

	Modified Accrual Basis	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents (notes 1 and 3)	\$ 1,766,945	\$ -	\$ 1,766,945
Accounts receivable	18,908	-	18,908
Due from trust fund	3,050	-	3,050
Prepaid expenses and deposits	119,276	-	119,276
Investments (note 3)			
Current	678,592	-	678,592
Noncurrent	843,000	-	843,000
Capital assets, net of accumulated depreciation of \$3,636,487 (note 4)	-	2,013,952	2,013,952
Total assets	3,429,771	2,013,952	5,443,723
Liabilities			
Accounts payable	58,308	-	58,308
Accrued wages and deferred revenue	288,006	-	288,006
Total liabilities	346,314	-	346,314
Fund Balances			
Fund balance - unrestricted and undesignated	1,483,457	(1,483,457)	-
Fund balance - designated for future building needs	1,600,000	(1,600,000)	-
Total fund balances	3,083,457	(3,083,457)	-
Total liabilities and fund balances	\$ 3,429,771		
Net Assets			
Invested in capital assets, net of related debt		2,013,952	2,013,952
Unrestricted		3,083,457	3,083,457
Total net assets		\$ 5,097,409	\$ 5,097,409

See accompanying notes to financial statements

ORION TOWNSHIP PUBLIC LIBRARY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Modified Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property taxes	\$ 2,553,098	\$ -	\$ 2,553,098
State aid	26,451	-	26,451
Penal fines	50,424	-	50,424
Copier service	10,616	-	10,616
Library fines	49,091	-	49,091
Interest and dividend income	190,121	-	190,121
Donations revenue	13,492	-	13,492
Miscellaneous income	2,503	-	2,503
Loss or damaged income	2,578	-	2,578
Grant income	5,100	-	5,100
Meeting room income	740	-	740
Sale of capital assets	2,750	-	2,750
Realized and unrealized gain on investments	65	-	65
	<hr/>	<hr/>	<hr/>
Total revenues	2,907,029	-	2,907,029
Expenditures			
Salaries	1,275,775	-	1,275,775
Payroll, employee benefit taxes and employee pension contribution	405,192	-	405,192
Supplies	82,720	-	82,720
Automation	166,585	-	166,585
Library books and materials	262,523	(244,299)	18,224
Promotion, publishing and printing	86,823	-	86,823
Telephone	14,199	-	14,199
Utilities	65,963	-	65,963
Repairs and maintenance	44,018	-	44,018
Insurance and workers' compensation	42,319	-	42,319
Transportation	7,477	-	7,477
Education, training and dues	24,325	-	24,325
Professional and contractual services	69,414	-	69,414
Miscellaneous	3,536	-	3,536
Capital improvements	127,570	(96,075)	31,495
Depreciation	-	351,268	351,268
	<hr/>	<hr/>	<hr/>
Total expenditures	2,678,439	10,894	2,689,333
Excess of Revenues Over Expenditures	228,590	(10,894)	217,696
Fund Balances Before Prior Period Adjustment - January 1, 2007	2,874,434	2,024,846	4,899,280
Prior Period Adjustment (note 12)	(19,567)	-	(19,567)
Fund Balances - December 31, 2007	<u>\$ 3,083,457</u>	<u>\$ 2,013,952</u>	<u>\$ 5,097,409</u>

See accompanying notes to financial statements

ORION TOWNSHIP PUBLIC LIBRARY

**STATEMENT OF NET ASSETS - FIDUCIARY FUND
DECEMBER 31, 2007**

	<u>Retiree Health Care Trust Fund</u>
Assets	
Cash and cash equivalents	\$ 365,795
Liabilities	
Due to General Fund	<u>3,050</u>
Net Assets	
Held in trust for postretirement medical benefits	<u>\$ 362,745</u>

See accompanying notes to financial statements

ORION TOWNSHIP PUBLIC LIBRARY

**STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Retiree Health Care Trust Fund</u>
Additions	
Interest income	\$ 17,217
Deductions	
Administrative expenses	<u>2,300</u>
Changes in Net Assets	14,917
Net Assets - January 1, 2007	<u>347,828</u>
Net Assets - December 31, 2007	<u><u>\$ 362,745</u></u>

See accompanying notes to financial statements

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 1 - Significant Accounting Policies

The accounting policies of the Orion Township Public Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Orion Township Public Library:

Financial Reporting Entity

In April 1929, the Library was established under the terms of the State of Michigan Public Act 164 of 1877. On January 1, 1985, the Library became a separate financial operating entity from Orion Township. The Library provides various services to the residents of Orion Township.

In evaluating how to define the Library for financial reporting purposes, management has considered all potential component units. The decision to include or not include a potential component unit in the reporting entity was made by applying the criteria set forth in the accounting principles generally accepted in the United States of America, currently GASB Statement No. 14, "The Financial Reporting Entity".

Based upon the application of those criteria, the government-wide financial statements of the Library contain all the funds controlled by the Library's Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Library.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting of the Library conforms to accounting principles generally accepted in the United States of America as applicable to governmental units.

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

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 1 - Significant Accounting Policies - Continued

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities which are reported using the economic resources measurement focus and the accrual basis of accounting. These statements report financial information for the Library as a whole excluding fiduciary activities such as Retiree Health Care Trust Fund. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 Library's net assets are reported in three components: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

Fund Financial Statements

Governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of the available spendable resources. Governmental funds are used to account for all or most of the Library's general activities, including the collection and disbursement of earmarked resources.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Governmental funds and agency funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are both "measurable and available"). Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, interest and special assessments are susceptible to accrual. Other revenues become measurable and available when cash is received by the Library and are recognized as revenue at that time. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting.

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 1 - Significant Accounting Policies - Continued

Fund Types and Major Funds

Governmental Funds

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues are derived primarily from property taxes, state distributions, grants and other intergovernmental revenues.

Fiduciary Fund

Agency Fund - This fund is used to assist the Library with the pre-funding of retiree health care benefits and to provide for the administration of the fund. Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

The following fund is included:

- Retiree Health Care Trust Fund

The Retiree Health Care Trust Fund is used to fund the cost of retiree health care benefits for eligible Plan participants.

Assets, Liabilities and Equity

Cash and Cash Equivalents

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments purchased with a maturity of three months or less from the date of acquisition.

Investments

Investments are carried at market value based on quoted market prices and consist of certificates of deposit, treasury notes and equity securities.

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 1 - Significant Accounting Policies - Continued

Assets, Liabilities and Equity - Continued

Accounts Receivable

Accounts receivable are stated at the outstanding principal balance adjusted for any charge-offs. Management closely monitors outstanding balances and writes off receivables when the receivable is deemed uncollectible. Management believes any realization losses on the outstanding balance at December 31, 2007 would be immaterial; accordingly, no allowance is utilized.

Prepaid Expenses and Deposits

Certain payments to vendors reflect costs applicable to the future fiscal year and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$3,500 and an estimated useful life in excess of two years. Such assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated property and equipment are valued at their estimated fair value on the date donated. 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:

Land improvements	15 - 31.5 years
Building and improvements	31.5 years
Equipment, furniture and fixtures	5 - 10 years
Library books and materials	5 years

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 1 - Significant Accounting Policies - Continued

Assets, Liabilities and Equity - Continued

Compensated Absences

It is the Library's policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be paid to the employees upon separation from the Library. Employees are paid their accumulated vacation pay upon termination of employment for any reason. Compensated absences over one year expire and do not get accrued; therefore, compensated absences are not reported in the government-wide financial statements.

Fund Equity

In the fund financial statements, the unreserved fund balances represent the amount available for budgeting future operations. Designations of unreserved fund balances in governmental funds indicate tentative plans for use of financial resources in a future period.

Income Taxes

The Library is a Governmental sub-unit organization and as such is not subject to federal income tax.

Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the basic financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 2 - Cash and Cash Equivalent Deposits - Custodial Credit Risk

Cash deposits and investments (certificates of deposit with maturities less than 90 days) are carried at cost. Cash deposits and certificates of deposit of the Library are in the name of the Library at various banks and investment companies.

At December 31, 2007, the Library had four depository accounts. The book value of the Library's bank deposits, consisting of four interest bearing checking accounts were \$383,223. Of the bank balance, \$100,000 was covered by the Federal Depository Insurance Corporation, and \$182,108 was uninsured and uncollateralized; therefore, subjecting the Library to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned. The Library does not have a deposit policy for custodial credit risk. However, the Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 3 - Investments

At December 31, 2007, the Library had the following investments and maturities:

	Fair Market Value	Investment Maturities (in Years)	
		Less Than 1	1 - 5
Deposits			
Certificates of Deposit	\$ 1,741,308	\$ 1,036,308	\$ 705,000
Money Market	1,381,876	1,381,876	-
Investments			
U.S. Government Securities	138,000	-	138,000
Mutual Funds	8,079	8,079	-
Total investments and cash equivalents	3,269,263	\$ 2,426,263	\$ 843,000
Less investments reported as "Cash and Cash Equivalents" on the:			
Statement of Net Assets - General Fund	1,381,876		
Statement of Net Assets - Fiduciary Fund	365,795		
Total investments	\$ 1,521,592		

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not specifically address interest rate risk. The Library's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market.

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 3 - Investments - Continued

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Library's investments are limited by those authorized under Public Act 20 of 1943 (as amended) for custodial credit risk. The Library also has the following investment policies further limiting its investment choices:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States. Total portfolio investment shall not exceed 25%.
- Commercial paper rated at the time of purchase at the highest classification established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase. Total portfolio investment shall not exceed 25%.
- Mutual Funds as described by Section I, Act 20 P.A. 1943 as amended. The authorization includes securities whose intention is to maintain a net asset value of \$1.00 per share or securities whose net asset value per share may fluctuate on a periodic basis. Total portfolio investment not to exceed 15%.

As of December 31, 2007, the credit quality ratings of the fixed income mutual funds with a fair value of \$8,079 were between Aa and Aaa by Moody's. U.S. Governmental securities with a fair value of \$138,000 were rated AAA by Standard and Poors. The short-term money market accounts with a fair value of \$2,342,383 were rated F1 and F1+ by Fitch, P-1 by Moody's and between A-1 to A-2 and AAA by Standard and Poors. Certificates of deposit are not rated; however, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 3 - Investments - Continued

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a deposit policy for custodial credit risk of investments. The Library's investments in mutual funds and U.S. Governmental securities are not exposed to custodial risk. The Library's certificates of deposit are not rated however, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Library's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from anyone type of security or issuer will be minimized. To limit its exposure to concentration of credit risk, the Library's investment policy limits its investment choices, with the exception of U.S. Treasury securities and authorized investment pools to each; no more than 30% of the total investment portfolio is invested with a single financial institution. Investments in mutual funds, external investment pools and other pooled investments are excluded from concentration of credit risk disclosures.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. State law and the Library's policy prohibit investment in foreign currency.

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 4 - Capital Assets

	<u>Balance</u> <u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Reductions/ Disposals</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
Capital assets not being depreciated:				
Land	\$ 46,036	\$ -	\$ -	\$ 46,036
Capital assets being depreciated:				
Land improvements	40,297	-	-	40,297
Building and improvements	3,019,031	-	-	3,019,031
Equipment, furniture and fixtures	1,185,160	96,075	-	1,281,235
Library books and materials	<u>1,287,045</u>	<u>244,299</u>	<u>(267,504)</u>	<u>1,263,840</u>
Subtotal	5,531,533	340,374	(267,504)	5,604,403
Accumulated depreciation	<u>(3,552,723)</u>	<u>(351,268)</u>	<u>267,504</u>	<u>(3,636,487)</u>
Net capital assets being depreciated	<u>1,978,810</u>	<u>(10,894)</u>	<u>-</u>	<u>1,967,916</u>
Net capital assets	<u>\$ 2,024,846</u>	<u>\$ (10,894)</u>	<u>\$ -</u>	<u>\$ 2,013,952</u>

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 5 - Lease Commitments

A summary of operating asset activity of the Library is as follows:

On February 24, 2006, the Library entered into a three year operating lease agreement for a copier. The term of the lease is through February 15, 2009 with rental payments of \$539 per month beginning February 24, 2006.

Future minimum lease payments under this noncancelable operating lease agreement at December 31, 2007 are as follows:

2008	\$	6,468
2009		1,078

Rental expense for 2007 under noncancelable operating lease agreements was \$7,668.

Note 6 - Retirement Programs

Group Pension Plan

The Library sponsors a defined contribution Group Pension Plan (the Plan) administered by the Library. The Plan may be amended from time-to-time by written amendment executed by the insurer of the Plan. The Plan covers full-time employees who are at least 18 years of age and have six months of service with the Library. The Library's required contributions are in varying amounts from 8% to 10% of compensation per participant depending on length of service. Participants may also make voluntary contributions of up to 10% of their monthly compensation. Library contributions to the plan amounted to \$74,826 in 2007.

Deferred Compensation Plan

The Library also has a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan is available to all employees and it permits each employee to defer a portion of their salary until future years. The Library does not contribute or match any employee's contributions to this plan.

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 7 - Postretirement Medical Benefits Plan

In 2006, the Library created a Retiree Health Care Plan and Trust (the "Plan") under Internal Revenue Code Section 501(c)(9) as a voluntary employees' beneficiary association to provide medical benefits to eligible retirees, their spouses and dependents. The Plan incorporates the terms of the medical benefits program as included in the health insurance contracts. Comerica Bank, a Michigan banking corporation, is the Trustee of the assets of the Plan effective July 19, 2006.

Benefits will be provided through traditional indemnity insurance, a health maintenance organization or a preferred provider organization. In order to be eligible for the retiree health insurance benefits all of the following must be met:

- Employee of the Library prior to July 19, 2006 and has separated from service with the Library after July 18, 2006.
- At least 10 years of full-time continuous employment at the Library prior to retirement.
- Receipt of a retirement benefit from the Orion Township Public Group Pension Plan.
- Participation in the Library's health insurance program at the time of retirement.
- Election, prior to entry date, to be covered under the Plan.
- Agreement to enroll in Medicare immediately upon becoming eligible for Medicare benefits.

The Library and retirees each pay 50% of the cost up to age 65 or qualifying for Medicare. The Library will pay an additional 2% of the cost for each year of full-time continuous employment in excess of 20 years up to a maximum 20% reduction. The Plan will be funded on a pay-as-you-go basis and the Library may make voluntary contributions to the Plan annually while retirees may be required to make contributions to the Plan in the future. Contributions made to the Plan during 2007 amounted to \$17,217. All expenses of the Plan shall be paid by the Plan. At December 31, 2007, there were no retirees eligible to receive benefits.

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 8 - Property Taxes

The portion of property taxes allocated to the Library from Orion Township is recorded as revenue in these basic financial statements in the subsequent year in which they are levied. Accordingly, the Library has included in revenue for the year ended December 31, 2007, property taxes levied during December of 2006.

The portion of property taxes to be allocated to the Library from Orion Township for 2008, which were levied in December of 2007, are approximately \$2,589,300.

Note 9 - Stewardship, Compliance and Accountability

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year end. The General Fund's appropriated budget is prepared on a detailed line-item basis. The Library does not maintain a formalized encumbrance accounting system. Budget appropriations are considered to be spent once the goods are delivered or the services are rendered.

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 9 - Stewardship, Compliance and Accountability - Continued

Budgetary Information - Continued

The Library follows these procedures in establishing the budgetary data reflected in the supplementary information:

1. Prior to the August Board meeting, the Library Director submits to the Finance Committee, a proposed operating budget for the fiscal year commencing the following January 1st. In August, the Finance Committee submits the proposed operating budget to the Library Board. The budget is legally adopted by a Library Board Resolution by September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Library's annual Board meeting to obtain taxpayer comments.
3. Prior to January 1st, the budget is legally adopted by a Library Board Resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires the budget to be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the Act are disclosed as unfavorable variances on the budgetary comparison schedule (accounting principles generally accepted in the United States of America) - General Fund.
4. The Director is authorized to transfer budgeted amounts between line-items within an activity. However, the Library Board must approve any revisions that alter the total expenditures for any activity.
5. The budget as presented has been amended. Supplemental appropriations were made during the year with the last one approved prior to December 31st.

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 9 - Stewardship, Compliance and Accountability - Continued

Excess Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the supplementary information, the Library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a fund, functional and line-item basis.

Note 10 - Designated and Undesignated Donations

The Library receives donations from the general public that are both designated and undesignated. The undesignated donations are recorded as General Fund revenue as received and expended by the Library as needed. Designated donations are recorded as General Fund revenue as received and spent in a manner consistent with the donors' restrictions. Due to timing differences, it is not always possible to spend these designated donations in the same year they were received. However, as of December 31, 2007, the Library had no unspent designations.

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 11 - Risk Management

The Library is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee's and natural disasters.

The Library carries commercial insurance for risks to cover these losses. The Library also continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

Note 12 - Prior Period Adjustment

Fund balance at the beginning of 2007 has been adjusted to correct an error for the Library's portion of property tax tribunal adjustments made in 2006. Had the error not been made, net income for 2006 would have been decreased by \$19,567.

ORION TOWNSHIP PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

Note 13 - Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements

Total fund balance and the net change in fund balance of the Library's governmental funds differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balance. The following are reconciliations of fund balance to net assets and the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 3,081,962
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds:	<u>2,013,952</u>
Net Assets of General Fund - Full Accrual Basis	<u>\$ 5,095,914</u>
Net Change in Fund Balances - Modified Accrual Basis	\$ 227,095
Amounts reported in the statement of activities are different because capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	340,374
Depreciation	<u>(351,268)</u>
Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ 216,201</u>

REQUIRED SUPPLEMENTARY INFORMATION

ORION TOWNSHIP PUBLIC LIBRARY

STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund			
	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 2,558,000	\$ 2,550,000	\$ 2,553,098	\$ 3,098
State aid	24,000	26,000	26,451	451
Sales tax	2,000	-	-	-
Penal fines	44,000	50,000	50,424	424
Copier service	4,000	4,500	10,616	6,116
Library fines	37,000	48,000	49,091	1,091
Interest and dividend income	95,000	150,000	190,121	40,121
Donations revenue	15,000	13,000	13,492	492
Miscellaneous income	19,000	7,500	2,503	(4,997)
Lost or damaged income	-	-	2,578	2,578
Grant income	-	-	5,100	5,100
Meeting room income	-	-	740	740
Sale of capital assets	-	-	2,750	2,750
Realized and unrealized gain on investments	-	-	65	65
Total revenues	2,798,000	2,849,000	2,907,029	58,029
Expenditures				
Salaries	1,310,500	1,295,000	1,275,775	19,225
Payroll, employee benefit taxes and employee pension contribution	470,200	440,000	405,192	34,808
Retirement Health Benefit Fund Contribution	4,800	7,000	-	7,000
Supplies	67,500	67,500	82,720	4,780
Automation	193,000	193,000	166,585	26,415
Library books and materials	262,800	262,800	262,523	277
Promotion, publishing and printing	76,000	93,000	86,823	6,177
Telephone	17,000	16,000	14,199	1,801
Utilities	71,500	75,000	65,963	9,037
Repairs and maintenance	48,000	48,000	44,018	3,982
Insurance and workers' compensation	50,000	50,000	42,319	7,681
Transportation	8,200	8,200	7,477	723
Education, training and dues	31,000	31,000	24,325	6,675
Professional and contractual services	60,500	80,000	69,414	10,586
Miscellaneous	4,000	4,000	3,536	464
Capital improvements	103,000	130,000	127,570	2,430
Total expenditures	2,798,000	2,820,500	2,678,439	142,061
Excess of Revenues Over Expenditures	-	28,500	228,590	200,090
Fund Balances - January 1, 2007	2,874,434	-	2,874,434	2,874,434
Prior Period Adjustment	-	-	(19,567)	(19,567)
Fund Balances - December 31, 2007	\$ 2,874,434	\$ 28,500	\$ 3,083,457	\$ 3,054,957

ORION TOWNSHIP PUBLIC LIBRARY

**COMMENTS AND RECOMMENDATIONS
MEMORANDUM**

DECEMBER 31, 2007



March 12, 2008

Board of Trustees of the
Orion Township Public Library
825 Joslyn Road
Lake Orion, Michigan 48362

Members of the Board:

We have recently completed an audit of the financial statements of the Orion Township Public Library (the Library) for the year ended December 31, 2007. Our audit was made primarily for the purpose of expressing our opinion on the financial statements and, accordingly, did not encompass a detailed review of systems, procedures and internal controls. However, during our audit, we observed certain accounting areas where we believe improvements can be effected, and we offer the enclosed comments and recommendations memorandum for your review.

The accompanying memorandum is not based upon a complete survey of all phases of operating and executive controls. We appreciate that the ultimate objective of the management is to achieve maximum control at a minimum cost. We believe that consideration of the recommendations enumerated in this memorandum are compatible with that objective.

We believe that the implementation of these recommendations will provide the Library with a stronger system of internal accounting control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation. This report is intended solely for the information and use of the Board of Trustees, management, and others within the Library, and is not intended to be and should not be used by anyone other than these specified parties.

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CURRENT YEAR RECOMMENDATIONS

I. Disaster Recovery Plan

During our audit, we noted that the Library does not have well-defined, written disaster recovery procedures. A contingency plan should be in place before a disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation.

Recommendation

We suggest that management develop a disaster recovery plan that includes, but is not limited to, the following matters:

- Location of and access to off-site storage (the Library's back-up disks are currently being taken to this offsite location in a timely manner).
- A listing of all data files that would have to be obtained from the off-site storage location.
- Identification of a back-up location with similar to compatible equipment for emergency processing (management should make arrangements for such back-up with another company, a computer vendor, or a service center, and the agreement should be in writing).
- Responsibilities of various personnel in an emergency.
- Priority of critical applications and reporting requirements during the emergency period.

II. Segregation of Duties

Due to the limited number of personnel working in the office, many critical duties are combined and given to the available employees. During the audit, we noted certain material weaknesses in the internal control system. Giving employees both custodial, recordkeeping and opportunities for authorization responsibilities for the same cycles creates a significant internal control weakness. To the extent possible, these duties should be segregated to serve as a check and balance in these financial areas and to maintain the best control system possible.

Recommendation

We recommend that the Library continue to segregate the cash disbursements, cash receipts and payroll duties to whatever extent is possible with regard to cost efficiency and effectiveness. If it is not cost effective to do this, management and the Board of Trustees should continue to review and monitor these duties as a mitigating internal control.

CURRENT YEAR RECOMMENDATIONS - Continued

III. New Auditing Standards

The following new auditing standards have recently been issued and will be in effect for the December 31, 2008 and 2009 audits, respectively.

Recommendation

We recommend that the Library begin implementation as soon as possible for the following standards:

GASB No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This standard requires that an actuarial valuation be performed. There are different requirements as to how often the valuation should be performed based on the size of the reporting entity. Since the Library's plan has fewer than 100 employees there is an option to apply a simplified alternative measurement method instead of obtaining actuarial valuations.

GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.