

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 WEST BRANCH DISTRICT LIBRARY		County OGEMAW	
Fiscal Year End 06/30/07		Opinion Date 11/20/07		Date Audit Report Submitted to State 12/28/2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

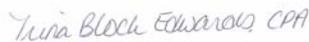
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

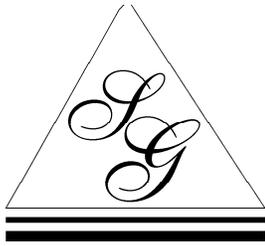
YES NO **Check each applicable box below.** (See instructions for further detail.)

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) STEPHENSON, GRACIK & CO., P.C.			Telephone Number (989) 345-0850		
Street Address 317 W. HOUGHTON AVE, PO BOX 159			City WEST BRANCH	State MI	Zip 48661
Authorizing CPA Signature 		Printed Name TRINA BLOCK EDWARDS, CPA		License Number 1101024346	



Stephenson Gracik & Co., P.C.

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James J Gracik, CPA
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Kyle E Troyer, CPA

Herman A Bertuleit, CPA

WEST BRANCH DISTRICT LIBRARY
OGEMAW COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED JUNE 30, 2007

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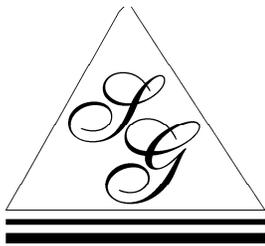
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November 20, 2007

Independent Auditors' Report

Library Board
West Branch District Library
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Branch District Library, Ogemaw County, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the West Branch District Library's basic financial statements as listed in the index. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the West Branch District Library, Ogemaw County, Michigan, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2007, on our consideration of the West Branch District Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Branch District Library's basic financial statements. The combining nonmajor funds financial statements and schedule of indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements and schedule of indebtedness have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stephenson, Gracik & Co., P.C.



West Branch
District Library

119 N. Fourth St.
West Branch, MI 48661
989 • 345 • 2235

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the West Branch District Library's (the Library) financial performance provides an overview of the Library's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the Library's financial performance as a whole. The discussion focuses on the Library's primary government.

Financial Highlights

- The Library's assets exceeded its liabilities by \$447,323 (*net assets*).
- The Library's total net assets increased by \$49,668.
- The Library's governmental funds reported combined ending fund balance of \$85,753 this year, an increase of \$31,046. Of this amount, \$83,850 is available for spending (*unreserved fund balance*) on behalf of its constituents, \$1,452 is reserved for building improvements, and \$451 is reserved for debt service.

Overview of the Financial Statements

The financial statements are organized so the reader can understand the Library as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Library's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *statement of net assets* and the *statement of activities* display information about the Library as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The Library does not currently hold any fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Library that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services. The Library does not currently have any business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the Library at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Library's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Library with certain limited exceptions. The comparisons of direct expenses with program revenues identify the extent to which each governmental program is self-financing or draws from the general revenues of the Library.

Capital assets are listed in this report for the West Branch District Library. These assets are comprised of building improvements, furniture, computer systems, collections (library books) and land owned by the Library. These assets, net of accumulated depreciation, total \$480,905.

Fund Financial Statements

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental*, *Proprietary* and *Fiduciary*.

Governmental Funds:

Governmental funds are those through which most governmental functions of the Library are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Library's major governmental fund:

- Library Operating Fund –This fund is the general operating fund of the Library. It is used to account for all financial resources, except those required to be accounted for in another fund.

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Library does not currently have any Proprietary Funds.

Fiduciary Funds: Fiduciary fund reporting focuses on net assets and changes in net assets. The Library does not currently hold any Fiduciary Funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the Library's *government-wide* and *fund* financial statements. Exhibit G provides an expansive and thorough view of various aspects of the audited financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining nonmajor funds statements and schedules.

Government -Wide Financial Analysis

Summary of Net Assets:

The following summarizes the net assets of the West Branch District Library at June 30, 2007 and 2006:

Net Assets Summary

Governmental Activities

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Current Assets	\$ 128,327	\$ 58,684
Capital Assets – net	<u>480,905</u>	<u>481,273</u>
Total Assets	<u>609,232</u>	<u>539,957</u>
Current Liabilities	38,554	3,137
Long-Term Liabilities	<u>123,355</u>	<u>139,165</u>
Total Liabilities	<u>161,909</u>	<u>142,302</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	357,905	342,273
Restricted	1,903	1,900
Unrestricted	<u>87,515</u>	<u>53,482</u>
Total Net Assets	<u>\$ 447,323</u>	<u>\$ 397,655</u>

Summary of Changes in Net Assets:

Following is an analysis of the changes in net assets for the year ended June 30, 2007 and 2006.

Generally speaking, the Library's net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The West Branch District Library, through its governing body, i.e., the Library Board, has taken a sensible approach regarding capital asset acquisition and amortization of the incurred debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

The Library Board has prudently set aside funds to offset potential future liabilities. It is the Library's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Governmental Activities

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Program Revenues:		
Charges for Services	\$ 18,045	\$ 16,424
Operating Grants and Contributions	20,785	12,999
Capital Grants and Contributions	<u>11,421</u>	<u>4,391</u>
Total Program Revenues	<u>50,251</u>	<u>33,814</u>
General Revenues:		
Property Taxes	79,912	71,527
State Revenue	7,534	7,886
Penal Fines	130,779	127,444
Investment earnings and miscellaneous	<u>22,405</u>	<u>11,389</u>
Total General Revenues	<u>240,630</u>	<u>218,246</u>
Total Revenues	<u>290,881</u>	<u>252,060</u>
Program Expenses:		
Recreation and Cultural	236,120	234,109
Interest on Long-Term Debt	<u>5,093</u>	<u>5,493</u>
Total Program Expenses	<u>241,213</u>	<u>239,602</u>
Change in Net Assets	49,668	12,458
Beginning Net Assets	<u>397,655</u>	<u>385,197</u>
Ending Net Assets	<u>\$ 447,323</u>	<u>\$ 397,655</u>

Governmental Activities

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$50,251 from *Charges for Services, Operating Grants and Contributions and Capital Grants and Contributions*. The *Charges for Services* are primarily contractual fees paid by Churchill and Foster Townships under Library service agreements. While revenue collected is substantial, operating expenses totaled \$241,213 for these same activities for Library operations.

Financial Analysis of Library Funds

As noted earlier in this report, the Library uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

Governmental Funds

Governmental funds are those through which most governmental functions of the Library are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The Library Operating Fund is the Library's major governmental fund.

The other governmental funds of the Library account for grants, bond proceeds and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the construction of building additions and improvements.

This year's Library audit shows four governmental funds. These funds are maintained as separate units in the General Ledger.

Budgetary Highlights

The fiscal year ending June 30, 2007 was an exciting and financially solvent year for the West Branch District Library.

The Library began the year with a general fund balance of \$52,209. At year's end, that balance had increased to \$83,229, a net increase of \$31,020. The Library Operating Fund actual revenue of \$276,055 versus budgeted revenue of \$251,279 netted a favorable variance of \$24,776. Actual expenditures of the Library Operating Fund were \$223,163 versus budgeted expenditures of \$231,300 showing a net favorable variance of \$8,137.

Capital Asset and Debt Administration

Capital Assets

Capital assets are defined by the Library as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

The Library's improvements are capitalized, i.e., depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital Assets ending balance was \$1,132,112. Capital Assets – Net of Depreciation was \$480,905. Current year additions include a new circulation desk of \$12,399, and books and audio/visual additions of \$21,220. The circulation desk was funded through a local grant and donations.

An expanded and detailed presentation may be seen in Note 6 of the audit, notes to financial statements.

Long-Term Debt

The Long-Term debt of the West Branch District Library, as noted on the financial statements contained herein, is comprised of debt related to direct business transactions by the Library.

At year's end, long-term debt (due in more than one year) amounted to \$107,000. Such debt consists of *Bonds Payable*.

Economic Factors

The West Branch District Library has realized significant growth in the last ten years. Due to wise investing and the prudent financial decisions of the Library Board, the Library was able to complete a building expansion project in the year ending June 30, 2005. A facility bond was obtained for \$170,000, and community donations were utilized for the building expansion costs. The bonds are scheduled for repayment in annual installments through 2014.

Lower investment earnings and tentative state and federal economies will provide future challenges. The main source of funding for the Library is penal fine revenue which fluctuates from year to year. The Library millage will continue to provide approximately \$80,000 a year through June 30, 2009. All of the remaining revenue is miscellaneous funds and donations which also fluctuate annually.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Library Director
West Branch District Library
119 N. Fourth Street
West Branch, MI 48661
989-345-2235

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents (Note 2)	\$ 124,306
Due from local units	4,021
Capital assets, net (Note 6)	<u>480,905</u>
Total Assets	<u>609,232</u>
<u>Liabilities</u>	
Accounts payable	11,143
Due to local units	27,411
Long-term liabilities:	
Due within one year (Note 7)	16,355
Due in more than one year (Note 7)	<u>107,000</u>
Total Liabilities	<u>161,909</u>
<u>Net Assets</u>	
Investment in capital assets, net of related debt	357,905
Restricted for:	
Debt service	451
Capital projects	1,452
Unrestricted	<u>87,515</u>
Total Net Assets	<u>\$ 447,323</u>

The accompanying notes to financial statements are an integral part of this statement.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital</u>	<u>Net (Expenses) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government:					
Governmental activities:					
Recreation and cultural	\$ 236,120	\$ 18,045	\$ 20,785	\$ 11,421	\$ (185,869)
Interest on long-term debt	<u>5,093</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,093)</u>
Total governmental activities	<u>\$ 241,213</u>	<u>\$ 18,045</u>	<u>\$ 20,785</u>	<u>\$ 11,421</u>	<u>(190,962)</u>
General Revenues:					
Property taxes levied for:					
Library operating					79,912
State revenue					7,534
Penal fines					130,779
Investment earnings					4,651
Other					<u>17,754</u>
Total general revenues					<u>240,630</u>
Change in net assets					49,668
Net assets - beginning of year					<u>397,655</u>
Net assets - end of year					<u>\$ 447,323</u>

The accompanying notes to financial statements are an integral part of this statement.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

BALANCE SHEET
 GOVERNMENTAL FUNDS
June 30, 2007

	<u>Library Operating Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents (Note 2)	\$ 123,204	\$ 1,102	\$ 124,306
Due from local units	4,020	1	4,021
Due from other funds (Note 3)	<u>0</u>	<u>1,421</u>	<u>1,421</u>
Total Assets	<u>\$ 127,224</u>	<u>\$ 2,524</u>	<u>\$ 129,748</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities</u>			
Accounts payable	\$ 11,143	\$ 0	\$ 11,143
Due to local units	27,411	0	27,411
Due to other funds (Note 3)	1,421	0	1,421
Deferred revenue (Note 5)	<u>4,020</u>	<u>0</u>	<u>4,020</u>
Total liabilities	<u>43,995</u>	<u>0</u>	<u>43,995</u>
 <u>Fund Equity</u>			
Fund balances:			
Reserved:			
For debt service	0	451	451
For capital improvement	0	1,452	1,452
Unreserved reported in:			
Special revenue funds	<u>83,229</u>	<u>621</u>	<u>83,850</u>
Total fund equity	<u>83,229</u>	<u>2,524</u>	<u>85,753</u>
Total Liabilities and Fund Equity	<u>\$ 127,224</u>	<u>\$ 2,524</u>	<u>\$ 129,748</u>

The accompanying notes to financial statements are an integral part of this statement.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
June 30, 2007

Total governmental fund balances:		\$	85,753
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:			
Capital asset cost		\$	1,132,112
Capital asset accumulated depreciation			<u>(651,207)</u>
			480,905
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds:			
Property taxes receivable			4,020
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:			
Bonds payable			(123,000)
Compensated absences payable			<u>(355)</u>
Total long-term liabilities			<u>(123,355)</u>
Total net assets - governmental activities		\$	<u>447,323</u>

The accompanying notes to financial statements are an integral part of this statement.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	Library Operating Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Revenue</u>			
Taxes	\$ 76,732	\$ 0	\$ 76,732
State grants and revenue	7,534	0	7,534
Penal fines	130,779	0	130,779
Charges for services	18,045	0	18,045
Interest and rentals	4,426	225	4,651
Other revenue	38,539	11,421	49,960
Total revenue	<u>276,055</u>	<u>11,646</u>	<u>287,701</u>
<u>Expenditures</u>			
Current:			
Recreation and cultural	201,943	0	201,943
Capital outlay	21,220	12,399	33,619
Debt service:			
Principal	0	16,000	16,000
Interest and fiscal charges	0	5,093	5,093
Total expenditures	<u>223,163</u>	<u>33,492</u>	<u>256,655</u>
Excess of revenue over (under) expenditures	<u>52,892</u>	<u>(21,846)</u>	<u>31,046</u>
Other Financing Sources (Uses):			
Operating transfers in	0	21,872	21,872
Operating transfers out	(21,872)	0	(21,872)
Total other financing sources (uses)	<u>(21,872)</u>	<u>21,872</u>	<u>0</u>
Excess of revenue and other sources over (under) expenditures and other uses	31,020	26	31,046
Fund balances - beginning of year	<u>52,209</u>	<u>2,498</u>	<u>54,707</u>
Fund balances - end of year	<u>\$ 83,229</u>	<u>\$ 2,524</u>	<u>\$ 85,753</u>

The accompanying notes to financial statements are an integral part of this statement.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Total net change in fund balances - governmental funds	\$	31,046
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets reported as capital outlays in the governmental funds	\$	33,619
Current year depreciation expense		<u>(33,987)</u>
Net difference		(368)

Principal repayments on bonds are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The amount of repayments reported as expenditures in the governmental funds consist of:

Bonds payable		16,000
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Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:

Property taxes		3,180
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Net change in accrued compensated absences:		
Accrued contractor benefits payable June 30, 2006		165
Accrued contractor benefits payable June 30, 2007		<u>(355)</u>
Net change		<u>(190)</u>

Change in net assets of governmental activities	\$	<u>49,668</u>
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The accompanying notes to financial statements are an integral part of this statement.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the West Branch District Library conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Private-sector standards of accounting issued after November 30, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies.

A. Description of Library's Operations

The West Branch District Library was established to maintain and operate a public library for the District. The Library operates under the supervision and control of a five member Board of Trustees. A trustee is appointed from each of the following units of government in the District that have levied an operating millage for the Library: the City of West Branch, Edwards Township, Horton Township, Ogemaw Township and West Branch Township. The City of West Branch performs all of the bookkeeping and administrative functions for the Library. All activities over which the Library exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Basis of Presentation

The Library's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government -Wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. For the most part, the effect of interfund activity has been removed from the statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net assets presents the financial condition of the governmental activities of the Library at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Library's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Library, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Library.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which all governmental functions of the Library are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Library's major governmental fund:

Library Operating Fund –This fund is the general operating fund of the Library. It is used to account for all financial resources, except those required to be accounted for in another fund.

The other governmental funds of the Library account for grants, bond proceeds and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the construction of building additions and improvements.

D. Measurement Focus

Government -Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the Library are included on the statement of net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Library, available means expected to be received within sixty days after year end.

Nonexchange transactions, in which the Library receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Library must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Library on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: penal fines, charges for services, fines and forfeitures, grants, interest, and rent.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgets and Budgetary Accounting

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Library director submits to the Board a proposed operating budget which includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the Statements of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Funds.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Continued)

2. A public hearing is conducted to obtain comments.
3. Prior to July 1, the budget is legally enacted through Board approval.
4. Budgetary amounts reported herein are as originally adopted, or as amended by the Library Board.

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the special revenue funds. All annual appropriations lapse at fiscal year end.

The Library does not maintain a formalized encumbrance accounting system.

G. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Library are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

H. Interfund Receivables and Payables

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are defined by the Library as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Collections – Library Books and Audio-Visual Materials	5 years

J. Compensated Absences

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the contract employees who are currently eligible to receive termination benefits and those the Library has identified as probable of receiving payment in the future. Contract employees are compensated for unused sick days in excess of sixty (60) days, at the rate of \$15 per day on December 1 each year. The Library records a liability for sick leave earned depending on the Library policy.

The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “accrued contractor benefits payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from the governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, and claims and judgments, that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Library's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Governmental Fund Balance Reserves

The Library reserves those portions of governmental fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

O. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles 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 financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - DEPOSITS AND INVESTMENTS

At year-end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts)	\$ 110,637
Investments in Financial Institution Pooled Funds	<u>13,669</u>
Total	<u>\$ 124,306</u>

As of June 30, 2007, the School District had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Investment pools	<u>\$ 13,669</u>	Daily

Credit Risk

State law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a government. As of June 30, 2007, the Library's investment in the National City Bank investment pool was unrated.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of June 30, 2007, \$1,604 of the Library's bank balance of \$101,604 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Concentration of Credit Risk, Interest Rate Risk, and Foreign Currency Risk

The Library's investment policy does not address concentration of credit risk, interest rate risk or foreign currency risk.

Investments:

The Library follows the City of West Branch's investment policy that was adopted in accordance with Act 196, PA 1997, which authorizes the City to deposit and invest in the following:

- * Accounts of federally insured banks, credit unions and savings and loan associations
- * Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- * United States government or federal agency obligation repurchase agreements
- * Banker's acceptances of United States banks
- * Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involves no more than 50 percent of any one fund
- * Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law does not allow public funds to be deposited in financial institutions that do not maintain an office in Michigan. The Library's deposits are in accordance with the statutory authority.

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of June 30, 2007 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds:		
Library Operating Fund	\$ 0	\$ 1,421
Nonmajor Governmental Funds	<u>1,421</u>	<u>0</u>
	<u>\$ 1,421</u>	<u>\$ 1,421</u>

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

The amounts of Interfund receivables and payables for individual funds as of June 30, 2007 are as follows:

<u>Fund</u> <u>Primary Government</u>	<u>Interfund</u> <u>Receivable</u>	<u>Fund</u> <u>Primary Government</u>	<u>Interfund</u> <u>Payable</u>
Library Capital Improvement Fund	\$ <u>1,421</u>	Library Operating Fund	\$ <u>1,421</u>

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

NOTE 4 - PROPERTY TAXES

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on July 31 with the final collection date of February 28 before they are added to the County tax rolls. The Library receives payments for these taxes from the participating units of government after final settlement of their tax rolls with the County. The delinquent personal property taxes are not purchased by the County.

For the current year, the taxable value for properties located within the District was \$247,442,204. The tax rate was .2874 mills for the Library.

NOTE 5 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Taxes Receivable	\$ <u>4,020</u>	\$ <u>0</u>	\$ <u>4,020</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital Assets Being Depreciated :				
Buildings	\$ 449,713	\$ 0	\$ 0	\$ 449,713
Furniture and Equipment	10,000	12,399	0	22,399
Collections – Library Books	560,000	19,148	19,148	560,000
Collections – Audio-Visual	<u>100,000</u>	<u>2,072</u>	<u>2,072</u>	<u>100,000</u>
Subtotal	<u>1,119,713</u>	<u>33,619</u>	<u>21,220</u>	<u>1,132,112</u>

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 6 - CAPITAL ASSETS (CONTINUED)

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Buildings	\$ 14,054	\$ 11,243	\$ 0	\$ 25,297
Furniture and Equipment	10,000	207	0	10,207
Collections – Library Books	517,659	20,823	19,148	519,334
Collections – Audio-Visual	<u>96,727</u>	<u>1,714</u>	<u>2,072</u>	<u>96,369</u>
Subtotal	<u>638,440</u>	<u>33,987</u>	<u>21,220</u>	<u>651,207</u>
Governmental Activities Total				
Capital Assets—Net of Depreciation	<u>\$ 481,273</u>	<u>\$ (368)</u>	<u>\$ 0</u>	<u>\$ 480,905</u>

Depreciation expense of \$33,987 was charged to the recreation and cultural program.

NOTE 7 - LONG-TERM DEBT

At June 30, 2007, long-term debt consists of the following individual issues:

A. Bonds Payable

2004 Library Limited Tax General Obligation Facility Bonds in the amount of \$170,000 due in annual installments of \$16,000 to \$19,000 through 2014; interest at 2.25% - 4.50%. Payments are made from the 2004 Library Facility Bonds Fund.

Governmental

\$ 123,000

B. Compensated Absences

The Library has an accrued liability for accumulated sick leave benefits of its employees. As of June 30, 2007, the accumulated vested sick leave benefits of the contract employees of the Library was as follows:

<u>Accrued Contractor Benefits Payable</u>	<u>Current Liability 6/30/07</u>	<u>Long-Term Liability 6/30/07</u>	<u>Total Balance 6/30/07</u>
Governmental Activities	<u>\$ 355</u>	<u>\$ 0</u>	<u>\$ 355</u>

C. Changes in Long-Term Liabilities

<u>Governmental Activities</u>	<u>Balance July 1, 2006</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Bonds payable	\$ 139,000	\$ 0	\$ 16,000	\$ 123,000	\$ 16,000
Accrued contractor benefits payable	<u>165</u>	<u>355</u>	<u>165</u>	<u>355</u>	<u>355</u>
Total	<u>\$ 139,165</u>	<u>\$ 355</u>	<u>\$ 16,165</u>	<u>\$ 123,355</u>	<u>\$ 16,355</u>

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The annual aggregate maturities for all debt outstanding (excluding compensated absences), as of June 30, 2007 are as follows:

<u>Bonds Payable</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 16,000	\$ 4,652	\$ 20,652
2009	16,000	4,173	20,173
2010	17,000	3,652	20,652
2011	18,000	3,058	21,058
2012	18,000	2,382	20,382
2013 – 2014	<u>38,000</u>	<u>2,518</u>	<u>40,518</u>
	<u>\$ 123,000</u>	<u>\$ 20,435</u>	<u>\$ 143,435</u>

The interest expenditures on long-term obligations for the year were \$5,093.

NOTE 8 - SERVICE CONTRACTS

The Library maintains service contracts with two Townships in the District in lieu of a dedicated millage, which allows the Library to forego charging the Townships' residents a user fee. Annual payments under the service contracts are determined by taking the total amount of funds a dedicated millage of .300 mills would create if applied and collected from the City of West Branch, Edwards Township, Horton Township, Ogemaw Township and West Branch Township, multiplied by .90 with that sum multiplied by the number of Library cardholders residing in the applicable Township under the service contract. The calculation is based upon the number of cardholders and taxable value as of December 31st each year, and due and payable by the first day of the following March.

The total amount received under service contracts for the year ended June 30, 2007 is as follows:

Churchill Township	\$ 10,606
Foster Township	<u>5,704</u>
	<u>\$ 16,310</u>

NOTE 9 - ADMINISTRATIVE FEES

The City of West Branch provides bookkeeping and administrative services to the West Branch District Library. Administrative fees paid to the City of West Branch for the year ended June 30, 2007 were \$8,000.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 10 - OPERATING TRANSFERS

During the year ended June 30, 2007, the following transfers were made:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
Major Governmental Funds:		
Library Operating Fund	\$ 0	\$ 21,872
Nonmajor Governmental Funds	<u>21,872</u>	<u>0</u>
	<u>\$ 21,872</u>	<u>\$ 21,872</u>

During the year ended June 30, 2007, the following individual fund transfers were made:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Fund</u>	<u>Operating Transfers Out</u>
2004 Library Facility Bonds	\$ 20,872	Library Operating Fund	\$ 20,872
Library Capital Improvement Fund	<u>1,000</u>	Library Operating Fund	<u>1,000</u>
Total	<u>\$ 21,872</u>	Total	<u>\$ 21,872</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the Library Operating Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11 - EXCESS OF 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 body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line-item basis. The approved budgets of the Library for these budgetary funds were adopted at the activity level.

During the year ended June 30, 2007, the Library incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Other Financing Uses:			
Operating Transfers Out	\$ 21,093	\$ 21,872	\$ 779

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 12 - RETIREMENT SYSTEM – MERS OPERATED

The Library is part of the City of West Branch's defined benefit pension plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is affiliated with the Municipal Employee Retirement System (MERS) of Michigan. Information on the plan, as a whole, is disclosed in the Notes to Financial Statements of the City's Audit Report. The disclosure includes information on the plan description, funding policy and annual pension cost. Complete financial statements can be obtained from the City of West Branch Treasurer's office.

NOTE 13 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library continues to carry commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 14 - UNEMPLOYMENT COMPENSATION

The Library is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Library must reimburse the Employment Agency for all benefits charged against the Library. No liabilities were due as of June 30, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - LIBRARY OPERATING FUND -
 SPECIAL REVENUE FUND
For the Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property taxes	\$ 74,500	\$ 74,500	\$ 76,732	\$ 2,232
State shared revenue	8,000	8,000	7,534	(466)
Penal fines	132,000	130,779	130,779	0
Service contracts	15,000	15,000	16,310	1,310
Copies	1,500	1,500	1,735	235
Interest income	1,000	1,000	4,426	3,426
Contributions	8,000	8,000	14,004	6,004
Miscellaneous	12,500	12,500	24,535	12,035
Total revenue	<u>252,500</u>	<u>251,279</u>	<u>276,055</u>	<u>24,776</u>
<u>Expenditures</u>				
Administration	8,000	8,000	8,000	0
Cleaning	4,000	4,000	11,942	(7,942)
Conferences and travel	2,000	2,000	1,395	605
Contractual services	132,500	132,500	125,555	6,945
Electricity	4,500	4,500	4,605	(105)
Equipment	4,000	4,000	2,831	1,169
Equipment maintenance	2,000	2,000	2,549	(549)
Equipment rental	500	500	394	106
Gas and heat	3,000	3,000	2,082	918
Improvements	4,000	4,000	4,242	(242)
Insurance	5,000	5,000	5,598	(598)
Legal and accounting	2,500	2,500	2,375	125
Membership and dues	14,000	14,000	9,310	4,690
Miscellaneous	5,000	5,000	6,604	(1,604)
Operating supplies	3,800	3,800	3,601	199
Periodicals	3,300	3,300	3,681	(381)
Printing and publishing	1,500	1,500	851	649
Programming	0	0	210	(210)
Telephone	2,500	2,500	2,263	237
Water and sewer	500	500	299	201
Workshops and presentations	3,700	3,700	3,556	144
Capital outlay:				
Books	22,000	22,000	19,148	2,852
Records and tapes	3,000	3,000	2,072	928
Total expenditures	<u>231,300</u>	<u>231,300</u>	<u>223,163</u>	<u>8,137</u>
Excess of revenue over (under) expenditures	21,200	19,979	52,892	32,913
Other Financing Uses:				
Operating transfers out	<u>(21,200)</u>	<u>(21,093)</u>	<u>(21,872)</u>	<u>(779)</u>
Excess of revenue over (under) expenditures and other uses	0	(1,114)	31,020	32,134
Fund balances - beginning of year	<u>52,209</u>	<u>52,209</u>	<u>52,209</u>	<u>0</u>
Fund balances - end of year	<u>\$ 52,209</u>	<u>\$ 51,095</u>	<u>\$ 83,229</u>	<u>\$ 32,134</u>

OTHER INFORMATION

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
June 30, 2007

	<u>Library Contingency Fund</u>	<u>2004 Library Facility Bonds</u>	<u>Library Capital Improvement Fund</u>	<u>Total Other Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 620	\$ 451	\$ 31	\$ 1,102
Due from local units	1	0	0	1
Due from other funds	<u>0</u>	<u>0</u>	<u>1,421</u>	<u>1,421</u>
Total Assets	<u>\$ 621</u>	<u>\$ 451</u>	<u>\$ 1,452</u>	<u>\$ 2,524</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Fund Equity</u>				
Fund balances:				
Reserved:				
For debt service	0	451	0	451
For capital improvement	0	0	1,452	1,452
Unreserved reported in:				
Special revenue funds	<u>621</u>	<u>0</u>	<u>0</u>	<u>621</u>
Total fund equity	<u>621</u>	<u>451</u>	<u>1,452</u>	<u>2,524</u>
Total Liabilities and Fund Equity	<u>\$ 621</u>	<u>\$ 451</u>	<u>\$ 1,452</u>	<u>\$ 2,524</u>

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	Library Contingency Fund	2004 Library Facility Bonds	Library Capital Improvement Fund	Total Other Governmental Funds
<u>Revenue</u>				
Interest and rentals	\$ 23	\$ 3	\$ 199	\$ 225
Other revenue	<u>0</u>	<u>0</u>	<u>11,421</u>	<u>11,421</u>
Total revenue	<u>23</u>	<u>3</u>	<u>11,620</u>	<u>11,646</u>
<u>Expenditures</u>				
Capital outlay	0	0	12,399	12,399
Debt service:				
Principal	0	16,000	0	16,000
Interest and fiscal charges	<u>0</u>	<u>5,093</u>	<u>0</u>	<u>5,093</u>
Total expenditures	<u>0</u>	<u>21,093</u>	<u>12,399</u>	<u>33,492</u>
Excess of revenue over (under) expenditures	23	(21,090)	(779)	(21,846)
Other Financing Sources:				
Operating transfers in	<u>0</u>	<u>20,872</u>	<u>1,000</u>	<u>21,872</u>
Excess of revenue and other sources over (under) expenditures	23	(218)	221	26
Fund balances - beginning of year	<u>598</u>	<u>669</u>	<u>1,231</u>	<u>2,498</u>
Fund balances - end of year	<u>\$ 621</u>	<u>\$ 451</u>	<u>\$ 1,452</u>	<u>\$ 2,524</u>

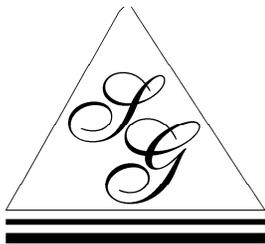
WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

SCHEDULE OF INDEBTEDNESS
June 30, 2007

LIMITED TAX GENERAL OBLIGATION BONDS

2004 Library Facility Bonds

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal</u>	<u>Annual Interest Requirements</u>	<u>Total</u>
4-30-04	\$ 170,000	2.25% - 4.50%	5-1-08	\$ 16,000	\$ 4,652	\$ 20,652
			5-1-09	16,000	4,173	20,173
			5-1-10	17,000	3,652	20,652
			5-1-11	18,000	3,058	21,058
			5-1-12	18,000	2,382	20,382
			5-1-13	19,000	1,663	20,663
			5-1-14	19,000	855	19,855
				<u>\$ 123,000</u>	<u>\$ 20,435</u>	<u>\$ 143,435</u>



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

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Donald W. Brannan, CPA
Kyle E Troyer, CPA

Herman A Bertuleit, CPA

November 20, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Library Board
West Branch District Library
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Branch District Library, Ogemaw County, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 20, 2007. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 West Branch District Library'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 West Branch District Library's financial statements that is more than inconsequential will not be prevented or detected by the West Branch District Library's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

Financial Statement Preparation

West Branch District Library personnel prepare various financial information throughout the year to assess operations and the financial condition of the Library. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the Library relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

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The West Branch District Library has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Library is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the Library would not be in a position to detect the errors or omissions.

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 West Branch District Library's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

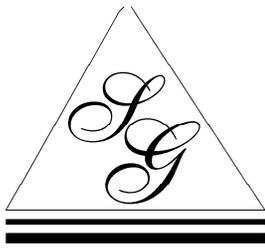
Compliance and Other Matters

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

We noted certain matters that we have reported to management of the West Branch District Library in a separate letter dated November 20, 2007.

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

Stephenson, Grank & Co., P.C.



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November 20, 2007

Members of the Library Board
West Branch District Library
Ogemaw County, Michigan

Dear Board Members:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Branch District Library for the year ended June 30, 2007, and have issued our report thereon dated November 20, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 30, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

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

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the West Branch District Library's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the West Branch District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the West Branch District Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the West Branch District Library's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the West Branch District Library, either individually or in the aggregate, indicate matters that could have a significant effect on the West Branch District Library's financial reporting process.

Disagreements with Management

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

Consultations with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

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

Additional Information

As a result of our study and evaluation of the internal control and compliance as described in the third and fourth paragraphs, certain matters came to our attention upon which we would like to comment and offer the following recommendations.

Financial Statement Preparation

West Branch District Library personnel prepare various financial information throughout the year to assess operations and the financial condition of the Library. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the Library relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

West Branch District Library has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Library is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the Library would not be in a position to detect the errors or omissions.

Petty Cash

We noted small purchases are made using fines collected. We recommend the Library establish a petty cash fund for small purchases. Receipts accumulated in the fund should be turned over to the accountant as needed to replenish the petty cash fund.

Budget Control

We noted that the Library's Operating Fund included expenditures in one activity that exceeded appropriated amounts. We recommend that the Library Board amend the budgets for all funds as needed when expenditures exceed appropriations.

Members of the Library Board
West Branch District Library
November 20, 2007
Page Three

Investment Policy

The Library's investment policy had not been updated for Governmental Accounting Standards (GASB Statements) No. 40-Deposit and Investment Risk Disclosures. We recommend that the Library update their investment policy to comply with GASB No. 40.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of the Library.

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

Stephenson, Grank & Co., P.C.