CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	Chesaning Public Library	Saginaw

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
March 31, 2008	May 30, 2008	June 5, 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.)
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	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	N/A

Certified Public Accountant (Firm Name)	Telephone Number		
Campbell, Kusterer & Co., P.C.	989-894-1040		
Street Address	**City**	**State**	**Zip**
512 N. Lincoln, Suite 100, P.O. Box 686	Bay City	MI	48707

Authorizing CPA Signature	Printed Name	License Number
	Mark J. Campbell	1101007803

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

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INDEPENDENT AUDITOR'S REPORT

May 30, 2008

To the Library Board
Chesaning Public Library
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Chesaning Public Library, Saginaw County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chesaning Public 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Chesaning Public Library, Saginaw County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents 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.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

As management of the Chesaning Public Library, (the Library) we offer the readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended March 31, 2008. This analysis, a requirement of Governmental Accounting Standards Board Statement 34 (GASB 34) omits certain comparative data that will be available in future years.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the past year. Net assets at March 31, 2008, totaled $163,665.76.

Overall revenues were $204,155.62.

The Library did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Library also includes in this report other supplementary information in addition to the basic financial statements themselves.

ENTITY-WIDE FINANCIAL STATEMENTS

The Library's audit report includes two new government-wide financial statements. These statements provide both long-term and short-term information about the Library's overall status in a manner similar to a private-sector business, and are reported using the full accrual basis of accounting.

The statement of net assets provides information on all of the Library's assets and liabilities, with the difference between the two being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities provides information showing how the Library's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Library's governmental fund. These statements report short-term fiscal accountability focusing on the use of spendable resources available at the end of the year. Such information may be useful in evaluating a government's short-term financing requirements.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balance provide a reconciliation to assist in understanding the differences between these two perspectives.

The Library adopts an annual budget and budgetary comparison statements are included in the basic financial statements to demonstrate compliance.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	Total Governmental Activities 2007	Total Governmental Activities 2008
Current Assets	134 568	142 492
Capital Assets	29 449	30 949
Total Assets	164 017	173 441
Current Liabilities	6 198	9 775
Non-current Liabilities	-	-
Total Liabilities	6 198	9 775
Net Assets:		
Invested in Capital Assets	29 449	30 949
Unrestricted	128 370	132 717
Total Net Assets	157 819	163 666

	Total Governmental Activities 2007	Total Governmental Activities 2008
Program Revenues:		
Fees and Charges for Services	2 093	3 567
General Revenues:		
Property Taxes	112 118	111 637
State Aid	9 511	8 996
Penal Fines	53 424	53 237
Interest	2 820	3 483
Miscellaneous	24 843	23 236
Total Revenues	204 809	204 156
Program Expenses:		
District Library	198 815	198 309
Total Expenses	198 815	198 309
Increase in Net Assets	5 994	5 847
Net Assets, April 1	151 825	157 819
Net Assets, March 31	157 819	163 666

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to the Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Chesaning Public Library, assets exceeded liabilities by $163,665.76 at the close of the fiscal year.

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

During the fiscal year ended March 31, 2008, the Library amended the General Fund budget to take into account events occurring during the fiscal year. These budget amendments fall into the following categories:

- Changes made to reflect increases or decreases in anticipated expenditures.
- Changes made to reflect increases or decreases in anticipated revenues.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Library's investment in capital assets as of March 31, 2008, amounted to $30,948.62 (net of accumulated depreciation). This investment in capital assets includes library materials, furniture, fixtures and equipment. Future assets will be recognized only when value is equal to or greater than $500.00 for each individual asset or each combined group of assets purchased. Total depreciation expense for this year amounted to $4,151.23 with ending accumulated depreciation being $39,357.14.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Penal fines have been steadily decreasing over the last 10 years and are expected to continue to do so.

The State of Michigan Legislature is also currently deliberating a bill to cut state funding to libraries.

CONTACTING THE LIBRARY'S MANAGEMENT

This financial report is designed to provide a general overview of the Chesaning Public Library finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Library Director, Chesaning Public Library, 227 E. Broad Street, Chesaning, Michigan 48616.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash in bank	142 291 96
Petty cash	200 00
Total Current Assets	142 491 96
NONCURRENT ASSETS:	
Capital Assets	70 305 76
Less: Accumulated Depreciation	(39 357 14)
Total Noncurrent Assets	30 948 62
TOTAL ASSETS	173 440 58
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	5 868 51
Accrued wages	3 906 31
Total Current Liabilities	9 774 82
NONCURRENT LIABILITIES	-
Total Noncurrent Liabilities	-
Total Liabilities	9 774 82
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	30 948 62
Unrestricted	132 717 14
Total Net Assets	163 665 76
TOTAL LIABILITIES AND NET ASSETS	173 440 58

The accompanying notes are an integral part of these financial statements.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenue Charges for Services	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
District Library	198 308 48	3 566 95	(194 741 53)
General Revenues:			
Property taxes			111 636 94
State aid			8 996 10
Penal fines			53 236 69
Interest			3 483 31
Miscellaneous			23 235 63
Total General Revenues			200 588 67
Change in net assets			5 847 14
Net assets, beginning of year			157 818 62
Net Assets, End of Year			163 665 76

The accompanying notes are an integral part of these financial statements.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	General
Assets	
Cash in bank	142 291 96
Petty cash	200 00
Total Assets	142 491 96
Liabilities and Fund Equity	
Liabilities:	
Accounts payable	5 868 51
Accrued wages	3 906 31
Total liabilities	9 774 82
Fund equity:	
Unreserved:	
Undesignated	132 717 14
Total fund equity	132 717 14
Total Liabilities and Fund Equity	142 491 96

The accompanying notes are an integral part of these financial statements.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS

March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUND	132 717 14
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 in the governmental funds balance sheet:	
Capital assets at cost	70 305 76
Accumulated depreciation	(39 357 14)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	163 665 76

The accompanying notes are an integral part of these financial statements.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
Year ended March 31, 2008

	General
Revenues:	
Property taxes	111 636 94
State aid	8 996 10
Charges for services	3 566 95
Penal fines	53 236 69
Interest	3 483 31
Miscellaneous	23 235 63
Total revenues	204 155 62
Expenditures:	
Culture – Library:	
Salaries	104 930 34
Payroll taxes	8 026 75
Dues and fees	17 689 88
Supplies	8 193 78
Books and materials	19 149 42
Utilities	9 491 84
Insurance	6 270 34
Professional services	5 735 00
Contracted services	1 480 00
Retirement	4 095 18
Repairs and maintenance	6 219 51
Miscellaneous	2 875 21
Capital outlay	5 651 33
Total expenditures	199 808 58
Excess of revenues over expenditures	4 347 04
Fund balance, April 1	128 370 10
Fund Balance, March 31	132 717 14

The accompanying notes are an integral part of these financial statements.

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND	4 347 04
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(4 151 23)
Capital Outlay	5 651 33
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	5 847 14

The accompanying notes are an integral part of these financial statements.

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Chesaning Public Library, Saginaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Library contain all the Library funds that are controlled by or dependent on the Library's executive or legislative branches.

The reporting entity is the Chesaning Public Library. The Library is governed by an elected Library Board. As required by generally accepted accounting principles, these financial statements present the Library as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Library's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Library reports only one fund as follows:

The General Fund is used to record the operations of the Library which pertain to maintaining and operating the Library. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Library. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expense when paid.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Library 2007 tax roll millage rate was .92840 mills, and the taxable value was $124,654,007.00.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than $500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	10-50 years

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation and sick leave benefits attributable to the Library's governmental funds is recorded as an expenditure and liability in the respective funds. Employees are paid for part of unused sick leave upon termination of employment.

Post-employment Benefits

The Library provides no post-employment benefits to past employees.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Library Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Library Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Library Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Library Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Note 3 – Deposits and Investments (continued)

The Library Board has designated three financial institutions for the deposit of Library funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Library's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	Carrying Amounts
Total Deposits	142 291 96

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	Bank Balances
Insured (FDIC)	142 402 34
Uninsured and Uncollateralized	-
Total Deposits	142 402 34

The Library did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the grater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Library manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Library contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Library's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk (continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Library's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities though the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Library's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
Furniture and equipment	65 654 43	5 651 33	(1 000 00)	70 305 76
Total	65 654 43	5 651 33	(1 000 00)	70 305 76
Accumulated Depreciation	(36 205 91)	(4 151 23)	1 000 00	(39 357 14)
Net Capital Assets	29 448 52	1 500 10	-	30 948 62

Note 5 – Deferred Compensation Plan

The Library does not have a deferred compensation plan.

Note 6 – Defined Contribution Plan

The Library provides pension benefits for certain employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees working at least 1,000 hours per year are eligible to participate at the minimum age of eighteen. The Library and employees contribute 6% and 5%, respectively, of the employee's base compensation. Library contributions for each employee vest immediately.

The retirement plan expense for the Library amounted to $4,095.18 for the year ended March 31, 2008.

Note 7 – Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8– Budget Variance

For the fiscal year ended March 31, 2008, the Library expenses exceeded the amounted appropriated as follows:

Activity	Final Budget	Actual Amount	Budget Variance
Culture- Library	193 151 63	194 157 25	1 005 62
Capital outlay	4 900 00	5 651 33	751 33

CHESANING PUBLIC LIBRARY
Saginaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	110 301 40	111 636 94	111 636 94	-
State aid	9 500 00	8 996 10	8 996 10	-
Charges for services	2 880 00	3 566 95	3 566 95	-
Penal fines	53 000 00	53 236 69	53 236 69	-
Interest	1 600 00	3 476 88	3 483 31	6 43
Miscellaneous	12 935 00	20 698 29	23 235 63	2 537 34
Total revenues	190 216 40	201 611 85	204 155 62	2 543 77
Expenditures:				
Culture- Library	188 816 40	193 151 63	194 157 25	1 005 62
Capital outlay	4 900 00	4 900 00	5 651 33	751 33
Total expenditures	193 716 40	198 051 63	199 808 58	1 756 95
Excess (deficiency) of revenues over expenditures	(3 500 00)	3 560 22	4 347 04	786 82
Fund balance, April 1	3 500 00	-	128 370 10	128 370 10
Fund Balance, March 31	-	3 560 22	132 717 14	129 156 92

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 30, 2008

To the Library Board
Chesaning Public Library
Saginaw County, Michigan

We have audited the financial statements of the Chesaning Public Library for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Chesaning Public Library in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Library Board
Chesaning Public Library
Saginaw County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Library's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Library cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Library Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Library's financial statements and this communication of these matters does not affect our report on the Library's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants