

VERNON DISTRICT PUBLIC LIBRARY
SHIAWASSEE COUNTY, MICHIGAN

ANNUAL FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

DECEMBER 31, 2007

VERNON DISTRICT PUBLIC LIBRARY
LIST OF BOARD MEMBERS
DECEMBER 31, 2007

Andy Fults	President
Mike Blackledge	Treasurer
Julie Halsey	Secretary
Joe Borkowski	Trustee
Mary Byrnes	Trustee
Linda Reitzel	Trustee
Terry Turner	Trustee

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INDEPENDENT AUDITOR'S REPORT

Vernon District Public Library
Board Members of the Vernon District Public Library
Shiawassee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, major funds and the aggregate remaining fund information of the Vernon District Public Library as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, major funds, and the aggregate remaining fund information of the Vernon District Public Library as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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 Vernon District Public Library basic financial statements. The introductory section and the other supplemental information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Demis and Wenzlick, P.C.

Certified Public Accountants

Owosso, Michigan
November 4, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

VERNON DISTRICT PUBLIC LIBRARY
SHIAWASSEE COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

The following is a discussion and analysis of Vernon District Public Library's (the Library's) financial performance and position, providing an overview of the activities for the year ended December 31, 2007. This analysis should be read in conjunction with the Independent Auditor's Report and with the Library's financial statements, which follow this section. The fiscal year ended December 31, 2007, represents the first year the Library has reported under the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended by GASB Statement No. 37 Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments – Omnibus and Statement No. 38 Certain Financial Statement Note Disclosures. Therefore, this discussion and analysis does not provide comparisons with previous years.

FINANCIAL HIGHLIGHTS

The unrestricted net assets of the Vernon District Public Library's governmental activities exceed its liabilities at the close of the current fiscal year by \$136,957 which may be used to meet the Library's ongoing obligations to citizens and creditors.

Additionally, the Library governmental funds reported an ending fund balance of \$136,957, which is \$711 decrease from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Library's assets and liabilities with the difference between the two 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 presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes).

VERNON DISTRICT PUBLIC LIBRARY
SHIAWASSEE COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2007

Government-Wide Financial Statements (Continued)

Both the government-wide financial statements distinguish functions of the Library that are principally supported by taxes, special assessments and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Library include general government.

Fund Financial Statements. A fund is a grouping of related accounts that is 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 legal requirements. The fund of the Library is considered a governmental fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the government's near term financial decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund of which only the General Fund is considered a major fund.

The Library adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information in the additional information to demonstrate compliance with budgets.

VERNON DISTRICT PUBLIC LIBRARY
SHIAWASSEE COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2007

Notes to the Financial Statements. The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Library's general fund.

Government-Wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of government's financial position. In the case of the Library, governmental assets exceeded liabilities by \$449,875 at the close of the most recent fiscal year.

By far, the largest portion of the Library's net assets (70 percent) reflects its investment in capital assets (e.g., land, building, machinery, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Village as a Whole

The following table shows, in a condensed format, the net assets of the Library as of December 31, 2007:

Current Assets	\$138,490
Capital Assets	<u>312,918</u>
TOTAL ASSETS	<u>\$451,408</u>
Current Liabilities	\$ <u>1,533</u>
TOTAL LIABILITIES	\$ <u>1,533</u>
NET ASSETS	<u>\$449,875</u>

Contact Information

For any questions, public may contact the Library business office at 989-288-6486 during normal business hours.

BASIC FINANCIAL STATEMENTS

VERNON DISTRICT PUBLIC LIBRARY
SHIAWASSEE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	<u>Governmental Activities</u>	<u>Total</u>
ASSETS		
Cash & Cash Equivalents	\$ 80,201	\$ 80,201
Accounts Receivable – Taxes	<u>58,289</u>	<u>58,289</u>
TOTAL CURRENT ASSETS	\$138,490	\$138,490
NON-CURRENT ASSETS		
Capital Assets –Net	<u>\$312,918</u>	<u>\$312,918</u>
TOTAL NON-CURRENT ASSETS	\$312,918	\$312,918
TOTAL ASSETS	\$451,408	\$451,408
LIABILITIES		
Accounts Payable	\$ 150	\$ 150
Payroll Taxes Payable	<u>1,383</u>	<u>1,383</u>
TOTAL CURRENT LIABILITIES	\$ 1,533	\$ 1,533
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$312,918	\$312,918
Unreserved	<u>136,957</u>	<u>136,957</u>
TOTAL NET ASSETS	\$449,875	\$449,875

See accompanying notes to financial statements.

VERNON DISTRICT PUBLIC LIBRARY
SHIAWASSEE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007

	<u>Program Revenues</u>		Net (Expenses) Revenues And Changes <u>In Net Assets</u>	
	<u>Expenses</u>	Charges <u>For Services</u>	Gov't <u>Activities</u>	<u>Totals</u>
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT				
Governmental Activities:				
General Gov't.	\$48,030	\$1,044	\$ (46,986)	\$ 46,986
TOTAL GOVERNMENT ACTIVITIES	48,030	1,044	\$ (46,986)	\$ (46,986)
TOTAL PRIMARY GOV'T.			\$ (46,986)	\$ (46,986)
General Revenues:				
Property Taxes			\$ 58,187	\$ 58,187
State Shared Revenues			21,713	21,713
Unrestricted Investment Earnings			635	635
Miscellaneous Other Revenues			<u>21,247</u>	<u>21,247</u>
TOTAL GENERAL REVENUES			\$101,782	\$101,782
Change in Net Assets – Unreserved			\$ 54,796	\$ 54,796
Net Assets – January 1, 2007			<u>395,079</u>	<u>395,079</u>
NET ASSETS – ENDING DECEMBER 31, 2007			<u>\$449,875</u>	<u>\$449,875</u>

See accompanying notes to financial statements.

VERNON DISTRICT PUBLIC LIBRARY
 SHIAWASSEE COUNTY, MICHIGAN
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2007

	<u>General</u>	<u>Total Gov't Funds</u>
ASSETS		
Cash & Cash Equiv.	\$ 80,201	\$ 80,201
Accounts Receivable – Taxes	<u>58,289</u>	<u>58,289</u>
TOTAL ASSETS	\$138,490	\$138,490
 LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts Payable	\$ 150	\$ 150
Payroll Taxes Payable	<u>1,383</u>	<u>1,383</u>
TOTAL LIABILITIES	\$ 1,533	\$ 1,533
 FUND BALANCES		
Unreserved	<u>\$136,957</u>	<u>\$136,957</u>
TOTAL FUND BALANCE	<u>\$136,957</u>	<u>\$136,957</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$138,490</u>	 <u>\$138,490</u>

See accompanying notes to financial statements.

VERNON DISTRICT PUBLIC LIBRARY
SHIAWASSEE COUNTY, MICHIGAN
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2007

Fund Balances – Total Governmental Funds	\$136,957
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 funds.	
Add: Capital Assets	343,910
Deduct: Accumulated Depreciation	<u>(30,992)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$449,875</u>

See accompanying notes to financial statements.

VERNON DISTRICT PUBLIC LIBRARY
 SHIAWASSEE COUNTY, MICHIGAN
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General Fund</u>	<u>Total Gov't Funds</u>
REVENUES:		
Co-Op	\$ 3,936	\$ 3,936
Donations	20,052	20,052
Interest	635	635
Miscellaneous Income/Fines	1,239	1,239
Penal Fines	17,777	17,777
Village of Vernon	1,000	1,000
Millage	<u>58,187</u>	<u>58,187</u>
TOTAL REVENUES	\$102,826	\$102,826
EXPENDITURES:		
General Government	<u>\$103,537</u>	<u>\$103,537</u>
TOTAL EXPENDITURES	<u>\$103,537</u>	<u>\$103,537</u>
REVENUES OVER (UNDER) EXPENDITURES	\$ (711)	\$ (711)
Fund Balance at January 1, 2007	<u>137,668</u>	<u>137,668</u>
FUND BALANCE AT DECEMBER 31, 2007	<u>\$136,957</u>	<u>\$136,957</u>

See accompanying notes to financial statements.

VERNON DISTRICT PUBLIC LIBRARY
 SHIAWASSEE COUNTY, MICHIGAN
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2007

Net Change in Fund Balances – Total Governmental Funds	\$ (711)
Amount 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 and reported as depreciation expense.	
Add: Capital Outlay	55,507
Deduct: Depreciation Expense	<u> 0</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$54,796</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS'

VERNON DISTRICT PUBLIC LIBRARY
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vernon District Public Library is located in Shiawassee County, Michigan. The Library Board consisting of seven members and provides various services to its residents.

The accounting and reporting policies of the Vernon District Public Library conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting policies. The following is a summary of the more significant policies:

A – FINANCIAL REPORTING ENTITY

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) in its Statement 14 for determining the various governmental organizations to be included in the financial reporting entity. The Library is the primary government having oversight responsibility and control over all activities. The Library receives funding from local and state government sources and must comply with all concomitant requirements of these funding sources entities. As required by generally accepted accounting principles, the financial statements of the reporting entity includes those activities of the Library (the primary government) and do not include any other component unit within its general purpose financial statements.

B – GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., 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.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a special function or segment. Program revenue include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, or privilege provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly excluded from program revenues are reported as general revenue.

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

VERNON DISTRICT PUBLIC LIBRARY
SHIAWASEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reporting using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or 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, debt service expenditures relating to compensating absences and claims and judgments are recorded only when payment is due.

Those revenue susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual accounting. However, debt service expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Library reports the following major governmental fund:

General Fund – The General 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.

VERNON DISTRICT PUBLIC LIBRARY
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D – ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments – The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

Capital Assets – Capital asset, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings	50 years
Building Improvements	20 years
Office Equipment	3-5 years
Computer Equipment	3-5 years

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.

E – USE OF ESTIMATES

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

VERNON DISTRICT PUBLIC LIBRARY
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F – BUDGETS AND BUDGETARY ACCOUNTING

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is not utilized in the governmental funds. Encumbrances outstanding at year end are not reported as reservations of fund balances and also not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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

1. Prior to the beginning of the fiscal year, a proposed operating budget is submitted to Board Members by the Treasurer for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through board approval.
4. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.

G – COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term account group. No expenditure is reported for those amounts. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Under the Consolidated Omnibus Budgeting Reconciliation Act (COBRA) certain requirements are outlined for health insurance coverage of former employees and eligible dependents. The Library does not have health insurance coverage for its employees, therefore, there are no post-employment health care benefits.

The Library does not have a pension plan.

VERNON DISTRICT PUBLIC LIBRARY
 SHIAWASSEE COUNTY, MICHIGAN
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2007

NOTE 2 – LEGAL COMPLIANCE BUDGETS

Before the beginning of each fiscal year, the proposed budget is presented to the board for review. The government's board holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available or the revenue estimates must be changed by an affirmative vote of a majority of the board.

Expenditures may not legally exceed budgeted appropriation. The final amended budget is included in the financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Complied Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the account of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in 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 obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of 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.

The Local Government Unit Board has designated one bank for the deposit of the Local Unit's funds. The investment policy adapted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CD's but not the remainder of State statutory authority as listed above.

The Library deposits consist of interest bearing checking and savings accounts. At December 31, 2007, the carrying amount of the Library's deposit was \$80,201. Of the bank balance \$82,868 was covered by Federal Depository Insurance and \$82,868 was insured. Michigan Law does not require collateralization of government deposits.

The Library's investment at December 31, 2007, consisted of cash at one financial institution.

	<u>Amount</u>	<u>FDIC Insured</u>	<u>Uninsured</u>
Checking – Demand	\$51,152	\$51,152	\$
Savings – Demand	<u>23,208</u>	<u>23,208</u>	<u>0</u>
	<u>\$74,360</u>	<u>\$74,360</u>	<u>\$ 0</u>

VERNON DISTRICT PUBLIC LIBRARY
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

	<u>Amount</u>	<u>FDIC Insured</u>	<u>Uninsured</u>
Certificate of Deposit – Time	<u>\$5,841</u>	<u>\$5,841</u>	<u>\$ 0</u>
	<u>\$5,841</u>	<u>\$5,841</u>	<u>\$ 0</u>

As of October 2008 through December of 2009 the FDIC deposit insurance increased to \$250,000 for demand accounts and \$250,000 for time accounts per each governmental unit.

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year.

	<u>Balance 12-31-06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12-31-07</u>
Primary Government:				
Governmental Activities:				
Capital Assets, not being depreciated				
Land – New Library	\$ 19,908	\$	\$	\$ 19,908
Construction in Progress	<u>237,503</u>	<u>55,507</u>	_____	<u>293,010</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$257,411	\$55,507	\$	\$312,918
Capital Assets, being depreciated:				
Buildings	\$	\$	\$	\$
Equipment	<u>30,992</u>	_____	_____	<u>30,992</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 30,992	\$	\$	\$ 30,992
Less Accumulated Depreciation for:				
Buildings	\$	\$	\$	\$
Equipment	<u>(30,992)</u>	_____	_____	<u>(30,992)</u>
TOTAL ACCUMULATED DEPRECIATION	\$ <u>(30,992)</u>	\$ _____	\$ _____	\$ <u>(30,992)</u>
Total Capital Assets, being Depreciated, Net	_____	_____	_____	_____
TOTAL	<u>\$257,411</u>	<u>\$55,507</u>	\$ _____	<u>\$312,918</u>

VERNON DISTRICT PUBLIC LIBRARY
 SHIAWASSEE COUNTY, MICHIGAN
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2007'

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ <u>0</u>
TOTAL DEPRECIATION – GOVERNMENT ACTIVITIES	\$ <u>0</u>

The Library is in the process of construction for a new library. As of December 31, 2007 expenses total \$257,411, which includes land cost of \$19,908.

NOTE 5 – RISK MANAGEMENT

The Library is exposed to various risks of loss related 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 6 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

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

In the body of the financial statements, the Library actual expenditures and budgeted expenditures for the budgetary funds have been shown on activity basis. The approved budgeted of the Library for the budgetary funds were adopted at the line item level and the budget is maintained at the line item level for control purposes.

During the year ended December 31, 2007, the Library incurred expenditures in certain budgetary activities which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriated</u>	<u>Actual</u>	<u>Actual Over Appropriated</u>
General Fund:			
Building Expense	\$22,900	\$55,507	\$32,607
Large Print/Audio	1,000	1,027	27
Wages	30,000	30,329	329

REQUIRED SUPPLEMENTARY INFORMATION

VERNON DISTRICT PUBLIC LIBRARY
 SHIAWASSEE COUNTY, MICHIGAN
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final Budget</u>
REVENUES:				
Co-Op	\$ 4,000	\$ 2,000	\$ 3,936	\$ 1,936
Donations	350	350	20,052	19,702
Interest			635	635
Misc. Income/Fines	500	1,000	1,239	239
Penal Fines	15,000	15,000	17,777	2,777
Village of Vernon	1,000	1,000	1,000	
Millage	<u>50,000</u>	<u>55,000</u>	<u>58,187</u>	<u>3,187</u>
TOTAL REVENUES	\$ 70,850	\$ 74,350	\$102,826	\$ 28,476
EXPENDITURES:				
Current:				
General Government	\$ <u>70,850</u>	\$ <u>74,350</u>	\$ <u>103,537</u>	\$ <u>29,187</u>
TOTAL EXPENDITURES	\$ <u>70,850</u>	\$ <u>74,350</u>	\$ <u>103,537</u>	\$ <u>29,187</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER				
EXPENDITURES	\$ _____	\$ _____	\$ (711)	\$ <u>711</u>
Fund Balance at January 1, 2007			<u>137,668</u>	
FUND BALANCE AT DECEMBER 31, 2007			<u>\$136,957</u>	

See accompanying notes to financial statements.

OTHER SUPPLEMENTARY INFORMATION

VERNON DISTRICT PUBLIC LIBRARY
SHIAWASSEE COUNTY, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
BALANCE SHEET
DECEMBER 31, 2007

GENERAL FUND

ASSETS

Cash & Cash Equivalents	\$ 80,201
Accounts Receivable – Taxes	<u>58,289</u>
TOTAL ASSETS	<u>\$138,490</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts Payable		\$ 150
Payroll Taxes Payable		<u>1,383</u>
TOTAL LIABILITIES		\$ 1,533
Fund Balance:		
Designated – CD	\$ 5,841	
Undesignated	<u>131,116</u>	
TOTAL FUND BALANCE		<u>136,957</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>\$138,490</u>

VERNON DISTRICT PUBLIC LIBRARY
 SHIAWASSEE COUNTY, MICHIGAN
 OTHER SUPPLEMENTAL INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
 IN FUND BALANCE COMPARED TO BUDGET
 YEAR ENDED DECEMBER 31, 2007

GENERAL FUND

	<u>Budgeted Amounts</u>		Variance with Final Budget <u>Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
REVENUES:			
Co-Op	\$ 2,000	\$ 3,936	\$ 1,936
Donations	350	20,052	19,702
Interest		635	635
Misc. Income/Fines	1,000	1,239	239
Penal Fines	15,000	17,777	2,777
Village of Vernon	1,000	1,000	
Millage	<u>55,000</u>	<u>58,187</u>	<u>3,187</u>
TOTAL REVENUES	\$74,350	\$102,826	\$28,476
EXPENDITURES:			
General Government:			
Books	\$ 1,800	\$ 1,093	\$ (707)
Building Fund	22,900	55,507	32,607
Co-Op	2,050	1,968	(82)
Insurance	4,000	3,466	(534)
Large Print/Audio	1,000	1,027	27
Miscellaneous	1,700	1,386	(314)
Magazines	500	353	(147)
Utilities	3,000	2,589	(411)
Telephones	1,400	1,360	(40)
Payroll Taxes	4,000	3,282	(718)
Wages	30,000	30,329	329
Computer	<u>2,000</u>	<u>1,177</u>	<u>(823)</u>
TOTAL GENERAL GOV'T EXPENDITURES	\$74,350	\$103,537	\$29,187
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ _____	\$ (711)	\$ <u>711</u>
Fund Balance January 1, 2007		<u>137,668</u>	
FUND BALANCE AT DECEMBER 31, 2007		<u>\$136,957</u>	



DEMIS and WENZLICK, P.C.

Certified Public Accountants

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November 4, 2009

Members of the Vernon District Library Board
Vernon, Michigan

In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the examination our firm performed on the financial statements of the Vernon District Public Library, for the year ended December 31, 2007.

Budget

The State Revenue Sharing Distribution Law, P.A. 176, of 1980, includes a compliance requirement in budgeting. It is important under this act that expenditures do not exceed budget. Expenditures include accounts payable at December 31, 2007. Budgeted expenditures cannot exceed budgeted revenues plus the beginning fund balance.

During our audit we noticed expenditure accounts exceeded budgeted amounts. Expenditures should be monitored so that the budget is not exceeded. The budget may be amended prior to the end of the fiscal year.

Cash Receipts

During our audit of cash receipts we noticed that deposits did not have sufficient documentation attached. A good internal control over cash is the proper receipting of monies coming into the entity. We recommend that pre-numbered receipts be used and that each deposit have a detailed description attached.

Cash Disbursements

During our audit of cash disbursements we noticed that the checks have only one signature and some disbursements did not have adequate supporting documentation. A good internal control over cash is having two signatures on checks. Also, all disbursements should have proper supporting documentation. We recommend that checks be signed with two signatures and that all disbursements have supporting documentation and authorization.

Payroll

In the area of payroll, we noticed that the Unemployment Agency UIA 1020 forms for quarter ending September 30, 2007 and December 31, 2007 were not prepared correctly which resulted in overpayment of tax. We recommend that these be reviewed and amended.

We noticed that the system used to process the W-2's is setup incorrectly. The amount of state wages on one W-2 was incorrectly reported. We recommend that the W-3 and W-2 forms be corrected.

We wish to thank the board and staff of the Vernon District Public Library for the excellent cooperation we received in performing the library audit. If we can be of any further assistance to the Library, please contact us.

Demis and Wenzlick, P.C.

Certified Public Accountants