

Auditing Procedures Report



Issued under Public Act 2 of 1968, as amended.

Unit Name	Rawson Memorial Library	County	TUSCOLA	Type	LIBRARY	MuniCode	79-8-004
Opinion Date	Jun 13, 2008	Audit Submitted	Jun 26, 2008	Fiscal Year	2007		

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (if there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 599,623.00
General Fund Expenditure:	\$ 267,969.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 288,532.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Valerie	Last Name	Hartel	Ten Digit License Number	1101015523				
CPA Street Address	715 E. Frank St	City	Caro	State	MI	Zip Code	48723	Telephone	+1 (989) 673-3137
CPA Firm Name	Anderson, Tuckey, Bernhardt	Unit's Street Address	6495 Pine Street	City	Cass City	Zip Code	48726		

RAWSON MEMORIAL LIBRARY

Cass City, Michigan

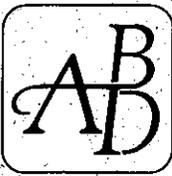
REPORT ON FINANCIAL STATEMENTS

As of and for the Year Ended

December 31, 2007

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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Jerry J. Bernhardt, CPA
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.....
Robert L. Tuckey, CPA

June 13, 2008

INDEPENDENT AUDITOR'S REPORT

Rawson Memorial Library
Cass City, MI 48726

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Rawson Memorial Library, Cass City, Michigan, 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 Rawson Memorial 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 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 significant estimates made by management, as well as evaluating the overall financial statements 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 government activities, each major fund, and the aggregate remaining fund information of the Rawson Memorial Library as of December 31, 2007 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i through iv and pages 12 and 13, are not a required part of the basic financial statements but are 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.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
RAWSON MEMORIAL LIBRARY
FISCAL YEAR ENDING DECEMBER 2007**

This discussion and analysis of the Rawson Memorial District Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended December 31, 2007 and comparative data from 2006. Please read it in conjunction with the Library's financial statements.

USING THIS ANNUAL REPORT

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

The first, second and third column of the financial statements include information on the Library's General Fund and Special Revenue Funds under the modified accrual method. These Fund Financial Statements focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.

The Government-Wide Financial Statement columns provide both long-term and short-term information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remain for future spending.

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

CONDENSED FINANCIAL INFORMATION

The table below shows key financial information in a condensed format:

ASSETS	2006	2007
Current assets	\$ 822,013	\$1,067,590
Capital assets	<u>\$ 634,916</u>	<u>\$ 612,414</u>
Total assets	\$ 1,456,929	\$1,680,004
LIABILITIES		
Current liabilities	\$ 7,897	\$ 8,768
Long-term liabilities	<u>\$ 9,213</u>	<u>\$ 9,477</u>
Total liabilities	\$ 17,110	\$ 18,245
NET ASSETS		
Invested in capital assets	\$ 634,916	\$ 612,414
Restricted	\$ 582,241	\$ 582,593
Unrestricted	<u>\$ 222,662</u>	<u>\$ 466,752</u>
Total net assets	<u>\$ 1,439,819</u>	<u>\$ 1,661,759</u>
REVENUE		
Property taxes	\$ 170,013	\$ 187,696
Gifts & bequests	\$ 23,275	\$ 23,877
Penal fines	\$ 58,303	\$ 53,166
Other	<u>\$ 57,465</u>	<u>\$ 64,649</u>
Total revenue	\$ 309,056	\$ 329,388
EXPENSES		
Personal service	\$ 177,907	\$ 180,404
Other	<u>\$ 105,992</u>	<u>\$ 111,041</u>
Total expenses	\$ 283,899	\$ 291,445
CHANGE IN NET ASSETS	\$ 25,157	\$ 37,943
NET ASSETS, JANUARY 1	<u>\$ 1,414,662</u>	<u>\$ 1,439,819</u>
PRIOR PERIOD ADJUSTMENT		<u>\$ 183,997</u>
NET ASSETS, DECEMBER 31	<u>\$ 1,439,819</u>	<u>\$ 1,661,759</u>

THE LIBRARY AS A WHOLE

- The Library is reporting financial statements this year that meet the requirements of GASB Number 34. The primary change requires reporting all assets at full cost less accumulated depreciation.
- As a result of this change, the Library reports net assets of \$1,661,759 this year on a full accrual basis, as compared to \$871,125 on the modified accrual basis of accounting.
- The Library's primary sources of revenue were from property taxes and penal fines for the year ended December 31, 2007. Total tax collections were \$ 187,696 representing approximately 56 percent of total revenue for the library as a whole. Total penal fines were \$53,166 representing approximately 16 percent of total revenue for the library as a whole.
- Salaries and fringe benefits are the largest overall expenditure of the Library. For the year ended December 31, 2007, this expenditure was \$180,404 representing 61 percent of the total expenditures for the library as a whole.
- Depreciation expense totaled \$43,376 or 15 percent of the Library's total expenses.
- Total expenditures for the entire year under the modified accrual method of accounting were \$268,679.

THE LIBRARY'S FUNDS

The budgetary analysis of the General Fund and Endowment Fund is included on pages 12 and 13 , which includes revenues and expenditures, excess of revenue over expenditures, other financing sources and fund balance. The fund balance of the General Fund increased during the current year by \$56,657. This represents unspent revenue greater than expenses. The fund balance of the Endowment Fund increased during the current year by \$352. This represents revenue greater than expenses.

LIBRARY BUDGETARY HIGHLIGHTS

Over the course of the year, the Library Board amended the General Fund and Endowment Fund's budget. The major variance was in penal fines.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At the end of the fiscal year, the Library had \$ 612,414 (net of accumulated depreciation) invested in buildings, furniture, equipment, books and materials. During the year, \$18,110 was spent on books and new collection items and \$ 2,764 was spent on equipment.

In April 2006, the Rawson Library changed the General Fund account and Endowment Fund account to Trust Accounts at Chemical Bank. In the past Rawson Library's holdings with Chemical Bank were diversified and held at Chemical Bank, Chemical Shoreline and Chemical West so all monies would have FDIC coverage. In early 2006, all of Chemical Bank's entities combined. Chemical Bank came to the Rawson Library Board and explained the situation and suggested a move of all of Rawson Library General Fund monies into a Trust Account and the Endowment Fund monies into its own Trust Account. This resulted in an increase of interest on both accounts. It also resulted in fees being paid for management of the Rawson accounts.

NEXT YEAR'S MILLAGE RATES

For fiscal year 2007, the Library had two millages: .7455 expiring in 2012, and .35 expiring in 2009.

ECONOMIC FACTORS

The Library's major sources of funding continue to be property taxes and penal fines from the county. This year saw a decrease in penal fines of \$5,137 from last year's revenue of \$58,303 for a total of \$ 53,166 for 2007.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kate Van Auken, Library Director, Rawson Memorial Library, 6495 Pine Street, Cass City, MI 48726.

BASIC FINANCIAL STATEMENTS

RAWSON MEMORIAL LIBRARY
COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS -
ALL FUND TYPES AND ACCOUNT GROUP
December 31, 2007

	GOVERNMENTAL FUND TYPES		
	General Fund	Endowment Fund	Total - Modified - Accrual Basis
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash on hand & in bank	\$ 290,028	\$ 133,865	\$ 423,893
Certificates of deposits		456,000	456,000
Taxes receivable			
Due from other funds	<u>7,272</u>		<u>7,272</u>
Total current assets	<u>297,300</u>	<u>589,865</u>	<u>887,165</u>
CAPITAL ASSETS:			
Capital assets, net of accumulated depreciation			-
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 297,300</u>	<u>\$ 589,865</u>	<u>\$ 887,165</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Deferred revenue	\$ 197		\$ 197
Other current liabilities	(147)		(147)
Due to other funds		\$ 7,272	7,272
Accounts Payable	<u>8,718</u>		<u>8,718</u>
Total Current Liabilities	<u>8,768</u>	<u>7,272</u>	<u>16,040</u>
LONG-TERM LIABILITIES:			
Compensated absences			-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>8,768</u>	<u>7,272</u>	<u>16,040</u>
<u>FUND BALANCE/NET ASSETS</u>			
Unrestricted	288,532		288,532
Restricted		582,593	582,593
Invested in capital assets, net of related debt			-
TOTAL FUND BALANCE/NET ASSETS	<u>288,532</u>	<u>582,593</u>	<u>871,125</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 297,300</u>	<u>\$ 589,865</u>	<u>\$ 887,165</u>

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

<u>GASB No. 34 Adjustments</u>	<u>LIBRARY AS A WHOLE Statement of Net Assets</u>
	\$ 423,893
	456,000
\$ 187,697	187,697
(7,272)	-
<u>180,425</u>	<u>1,067,590</u>
612,414	612,414
<u>612,414</u>	<u>612,414</u>
<u>\$ 792,839</u>	<u>\$ 1,680,004</u>
	\$ 197
	(147)
(7,272)	-
	8,718
<u>(7,272)</u>	<u>8,768</u>
\$ 9,477	9,477
9,477	9,477
<u>2,205</u>	<u>18,245</u>
178,220	466,752
-	582,593
612,414	612,414
<u>790,634</u>	<u>1,661,759</u>
<u>\$ 792,839</u>	<u>\$ 1,680,004</u>

RAWSON MEMORIAL LIBRARY
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	GOVERNMENTAL FUND TYPES	
	General Fund	Endowment Fund
REVENUE:		
Taxes	\$ 183,996	
Penal fines	53,166	
State aid	6,789	
Gifts and bequests	23,877	
Interest income	15,447	\$ 25,713
Charges for service	12,236	
Book fines	3,553	
Loss on CD		352
Newspaper project	178	
Other revenue	381	
TOTAL REVENUES	299,623	26,065
EXPENDITURES:		
Personal services	176,190	
Books and periodicals	26,503	
Supplies	6,332	
Utilities & phone	13,118	
Professional services	3,950	
Maintenance	17,685	
Memberships	3,849	
Equipment & improvements	4,250	
Copier expense	5,604	
Insurance	6,156	
Depreciation		
TIFA (Village)	1,821	
Newspaper project	178	
Trust Fees		710
Other expenditures	2,333	
TOTAL EXPENDITURES	267,969	710
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	31,654	25,355
OTHER FINANCING SOURCES (USES)		
Transfers in	25,003	-
Transfers out	-	(25,003)
TOTAL OTHER FINANCING SOURCES (USES)	25,003	(25,003)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND AND OTHER USES	56,657	352
FUND BALANCE JANUARY 1, 2007	231,875	582,241
PRIOR PERIOD ADJUSTMENT		
FUND BALANCE DECEMBER 31, 2007	\$ 288,532	\$ 582,593

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

<u>Total - Modified - Accrual Basis</u>	<u>GASB No. 34 Adjustments</u>	<u>LIBRARY AS A WHOLE Statement of Activities</u>
\$ 183,996	\$ 3,700	\$ 187,696
53,166		53,166
6,789		6,789
23,877		23,877
41,160		41,160
12,236		12,236
3,553		3,553
352		352
178		178
381		381
<u>325,688</u>	<u>3,700</u>	<u>329,388</u>
176,190	264	176,454
26,503	(18,110)	8,393
6,332		6,332
13,118		13,118
3,950		3,950
17,685		17,685
3,849		3,849
4,250	(2,764)	1,486
5,604		5,604
6,156		6,156
-	43,376	43,376
1,821		1,821
178		178
710		710
2,333		2,333
<u>268,679</u>	<u>22,766</u>	<u>291,445</u>
<u>57,009</u>	<u>(19,066)</u>	<u>37,943</u>
25,003	(25,003)	-
<u>(25,003)</u>	<u>25,003</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
57,009	(19,066)	37,943
<u>814,116</u>	<u>625,703</u>	<u>1,439,819</u>
	<u>183,997</u>	<u>183,997</u>
<u>\$ 871,125</u>	<u>\$ 790,634</u>	<u>\$ 1,661,759</u>

RAWSON MEMORIAL LIBRARY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL TRUST AND AGENCY FUNDS
December 31, 2007

LITERACY COUNCIL

	<u>BALANCE JANUARY 1, 2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE DECEMBER 31, 2007</u>
<u>ASSETS</u>				
Due from other funds	\$ 7,429	\$ 2,433	\$ 1,144	\$ 8,718
TOTAL ASSETS	<u>\$ 7,429</u>	<u>\$ 2,433</u>	<u>\$ 1,144</u>	<u>\$ 8,718</u>
<u>LIABILITIES</u>				
Due to other Agencies	\$ 7,429	\$ 2,433	\$ 1,144	\$ 8,718
TOTAL LIABILITIES	<u>\$ 7,429</u>	<u>\$ 2,433</u>	<u>\$ 1,144</u>	<u>\$ 8,718</u>

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

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Rawson Memorial Library is a District Library organized under Section 6, Public Act 24 of 1989, located in Cass City, Michigan. The participating municipalities include Elkland Township, Village of Cass City, Novesta Township and Elmwood Township. The District Library Organizational Plan was dated December 6, 1989.

The District Library will be governed by a board consisting of eight appointed board members and serves the geographical areas of the municipal members.

The major accounting principles and practices followed by the Library are presented below to assist the reader in understanding the financial statements and the accompanying format of the financial statements for all funds presented in conformity with generally accepted accounting principles applied to governmental units.

BASIS OF ACCOUNTING:

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based upon the application of these criteria, the basic financial statements of the Rawson Memorial Library contain all the funds and account groups controlled by the District's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library nor is the Library a component unit of another entity.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

The Library's basic financial statements include both the Library as a Whole and its individual fund financial statements.

Library as a Whole Financial Statements

The Library as a Whole financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the fiscal year following the December 1 levy date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

Fund Financial Statements (Continued):

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental funds as major funds::

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The Endowment Fund is utilized to account for proceeds of specific revenue sources that are board restricted to expenditures. The Endowment fund was established May 15, 1990. The income from this fund will be transferred to the general fund for operating purposes. Capital from this fund can be transferred by a two-thirds majority vote of the entire library board. The investment of the fund will be at the discretion of the library board.

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Library in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY:

Cash and Investments – The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

Property Taxes – The property tax is levied each December 1 on the assessed valuation of the property located in the Townships. Rawson Memorial receives the collected portion of the property taxes in full from the local townships and all delinquent taxes are handled through the county. The Library tax revenues are recognized in the fiscal year following the December 1 levy date. The Library levied 1.10 mills on an SEV of \$162,251,727 on all property within the district. A millage proposal was passed in August, 2006. The Library has a millage levy of .75 mills for 10 years, 2003 to 2012; the renewal millage is a levy of .35 mills for 4 years from 2006 to 2009. These mills will be levied by the Library as of December 1, 2007 for the .35 mills and as of December 1, 2004 for the .75 mills. The .75 levy was reduced by the Headlee rollback.

Capital Assets – Capital assets are defined by the Library as assets other than technology related with an initial cost of more than \$2,000 and an estimated useful life in excess of one year. Capital assets for technology related equipment used an acquisition cost of \$1,000 or more and a useful life of more than 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.

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

Capital Assets (Continued):

Buildings, furniture and equipment, and library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	7 - 50 years
Furniture and equipment	5 - 20 years
Library books and videos	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 a specific purpose.

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

NOTE 2 – RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE GOVERNMENTAL FUNDS FINANCIAL STATEMENTS:

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a Whole reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheet and statement of revenue, expenditures and change in fund balance. The following is a reconciliation of fund balances to net assets and the net change in fund balances to the net change in net assets:

Total Fund Balance – Modified-accrual Basis	\$871,125
Amounts reported in the statement of net assets are different because:	
Property taxes receivable – 2007 levy	187,697
Capital assets are not financial resources and are not reported in the funds	612,414
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(9,477)
Total Net Assets – Full-accrual Basis	<u>\$1,661,759</u>

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 2 – RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (Continued):

Net Change in Fund Balances – Modified-accrual Basis	\$57,009
Amounts reported in the statement of revenues, expenditures, and changes in fund balances are different because:	
Property taxes receivable	3,700
Governmental funds report capital outlay as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:	
Library books and videos	18,110
Equipment & Improvements	2,764
Depreciation expense	(43,376)
Amounts accrued for compensated absences are not reflected as expenses in the fund statements	(264)
Change in Net Assets – Full-accrual Basis	<u>\$37,943</u>

NOTE 3 - DEFINED CONTRIBUTION PENSION PLAN:

The Library established a Simplified Employee Pension Plan during 1984, which covers all qualifying employees of the Library.

Under the plan, the Library contributes an amount equal to ten (10%) percent of the qualifying employee's wages to the plan on behalf of the employee.

All amounts contributed are immediately and fully vested with the employee. Total contributions under the plan were \$13,783 during 2007.

NOTE 4 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

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

The Library does not maintain a formalized encumbrance accounting system.

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

1. The Director submits to the Board of Trustees a proposed operating budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY (Continued):

3. Prior to January 1, the budget is legally adopted by Board of Trustees resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Director is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to December 31.

NOTE 5 - DEPOSITS AND INVESTMENTS:

Deposits:

At year-end, the bank balances were \$885,099. The carrying amount of the Library's deposits was \$879,893. Of the balance \$556,000 was covered by federal depository insurance. All Library deposits are uncollateralized, except the assets held in the Chemsweep account in excess of the FDIC limit, which are fully collateralized by the Bank. The Bank has pledged U.S. Treasury securities with the Federal Reserve Bank in Chicago to guarantee the funds.

Investments:

State statutes authorize the Library to invest in obligations of the United States, or agencies and instrumentalities of the U.S., commercial paper rated at the time of purchase within the top two classifications by at least two of the four rating agencies, certificates of deposits, repurchase agreements, banker's acceptances, and mutual funds.

The Library's investments are categorized below to give an indication of the level of risk assumed at year ended. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Library's name. The Library held no Category 1, 2 & 3 investments during 2007. Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

NOTE 6 - 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 carries commercial insurance to cover any losses that may result from the above described activities.

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 7 - CHANGES IN CAPITAL ASSETS:

The adjustments column is to adjust prior year balances to the December 31, 2007 actual in accordance with new capitalization policy. A summary of changes in general fixed assets follows:

	BALANCE JANUARY 1, 2007	ADDITIONS	ADJUSTMENTS	BALANCE DECEMBER 31, 2007
Land	\$ 41,037			\$ 41,037
Buildings	722,618			722,618
Computer Equipment	50,800	\$ 2,764	\$ (6,134)	47,430
Library Books	114,647	18,110	(25,272)	107,485
Machinery & Equipment	9,454			9,454
	<u>938,556</u>	<u>20,874</u>	<u>(31,406)</u>	<u>928,024</u>
Accumulated Depreciation	<u>(303,640)</u>	<u>(43,376)</u>	<u>31,406</u>	<u>(315,610)</u>
Net Capital Assets	<u>\$634,916</u>	<u>\$(22,502)</u>	<u>\$ -</u>	<u>\$612,414</u>

Depreciation for the fiscal year ended December 31, 2007 amounted to \$43,376.

NOTE 8 – LEASES:

The Library leases a color copier under an operating lease agreement that expires in 2007. Lease expense amounted to \$3,410. At December 31, 2007, future lease payments under such leases are as follows:

<u>December 31</u>	
2008	\$3,000
2009	3,000
2010	3,000
2011	3,000
2012	1,500

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES:

	INTERFUND RECEIVABLE	INTERFUND PAYABLE
General Fund	\$ 7,272	\$ 8,718
Endowment Fund		7,272
Agency Fund	<u>8,718</u>	<u> </u>
Total	<u>\$15,990</u>	<u>\$15,990</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 10- TRANSFERS:

The endowment fund transferred \$25,003 to the general fund during the current fiscal year to subsidize operations.

NOTE 11 – PRIOR PERIOD ADJUSTMENT:

There was a prior period adjustment made to the statement of net assets, GASB No. 34 Adjustments, to correct beginning net assets. The change was to record the beginning balance of property taxes receivable that was not recorded at December 31, 2006. The total amount of the prior period adjustment was \$183,997.

REQUIRED SUPPLEMENTARY INFORMATION

RAWSON MEMORIAL LIBRARY
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

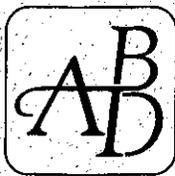
	BUDGET		ACTUAL	VARIABLE- FAVORABLE
	ORIGINAL	FINAL		(UNFAVORABLE)
REVENUE:				
Taxes	\$ 173,000	\$ 180,000	\$ 183,996	\$ 3,996
Penal fines	43,000	53,000	53,166	166
State aid	6,300	6,780	6,789	9
Gifts and bequests	17,000	20,000	23,877	3,877
Interest income	7,000	12,000	15,447	3,447
Charges for service	12,550	11,865	12,236	371
Book fines	3,500	3,500	3,553	53
Newspaper project			178	178
Other revenues	150	380	381	1
TOTAL REVENUES	262,500	287,525	299,623	12,098
EXPENDITURES:				
Salaries	150,000	150,000	146,640	3,360
FICA	12,000	11,500	11,218	282
Retirement	14,000	14,000	13,783	217
Health Insurance	4,400	4,900	4,549	351
Books and periodicals, etc.	36,500	28,870	26,503	2,367
Supplies	6,600	6,810	6,332	478
Utilities & phone	15,120	13,350	13,118	232
Professional services	4,380	3,975	3,950	25
Maintenance	11,500	19,300	17,685	1,615
Memberships	4,300	3,900	3,849	51
Equipment & improvements	5,000	4,500	4,250	250
Copier expense	7,200	6,000	5,604	396
Insurance	6,300	6,200	6,156	44
TIFA (Village)	2,100	1,825	1,821	4
Newspaper project			178	(178)
Other expenditures	3,100	2,600	2,333	267
TOTAL EXPENDITURES	282,500	277,730	267,969	9,761
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(20,000)	9,795	31,654	21,859
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	25,000	25,003	3
Transfers out				-
TOTAL OTHER FINANCING SOURCES (USES)	20,000	25,000	25,003	3
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	\$ 34,795	56,657	\$ 21,862
FUND BALANCE JANUARY 1, 2007			231,875	
FUND BALANCE DECEMBER 31, 2007			\$ 288,532	

See the accompanying notes.

RAWSON MEMORIAL LIBRARY
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
ENDOWMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIABLE- FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Interest income	\$ 20,000	\$ 25,710	\$ 25,713	\$ 3
Loss on CD			352	352
Gifts and bequests				-
TOTAL REVENUES	<u>20,000</u>	<u>25,710</u>	<u>26,065</u>	<u>355</u>
EXPENDITURES:				
Equipment				-
Trust fees		710	710	-
Miscellaneous				-
TOTAL EXPENDITURES		<u>710</u>	<u>710</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>20,000</u>	<u>25,000</u>	<u>25,355</u>	<u>355</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			-	-
Transfers out	<u>(20,000)</u>	<u>(25,000)</u>	<u>(25,003)</u>	<u>(3)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,000)</u>	<u>(25,000)</u>	<u>(25,003)</u>	<u>(3)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	352	<u>\$ 352</u>
FUND BALANCE JANUARY 1, 2007			<u>582,241</u>	
FUND BALANCE DECEMBER 31, 2007			<u>\$ 582,593</u>	

See the accompanying notes.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Terry L. Haske, CPA
Jamie L. Peasley, CPA
Timothy Franzel

Robert L. Tuckey, CPA

June 13, 2008

To the Members of the Board
Rawson Memorial Library

In planning and performing our audit of the financial statements of Rawson Memorial Library as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Rawson Memorial Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

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

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 a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. During the course of our audit, we observed the following significant deficiency:

Financial Statements

After considering the qualifications of the accounting personnel of the Rawson Memorial Library, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the Library, but they do not have the qualifications and abilities to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. During the course of our audit, we observed no material weaknesses.

The following comments relate to certain of the Library's accounting, financial and administrative policies and procedures that we observed during the course of our audit. These matters are not considered control deficiencies or material weaknesses as defined by professional standards.

Prior Year Repeat Comments:

Segregation of Duties

Due to the limited number of people, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the library segregate duties whenever possible.

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Members of the Board
June 13, 2008
Page 2

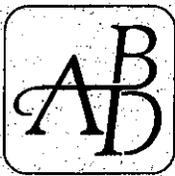
This communication is intended solely for the information and use of management, Rawson Memorial Library, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Rawson Memorial Library and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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June 13, 2008

Robert L. Tuckey, CPA

To the Members of the Board
Rawson Memorial Library

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rawson Memorial Library for the year ended December 31, 2007, and have issued our report thereon dated June 13, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 5, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 8, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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 Rawson Memorial Library are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 13, 2008.

Management 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 auditor's 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.

Other Audit Findings or Issues

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of Rawson Memorial Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants