

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Shirley J. Palmer</i>		Printed Name		License Number

Saline District Library

**Financial Report
with Supplemental Information
November 30, 2007**

Saline District Library

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Independent Auditor's Report

To the Board of Directors
Saline District Library

We have audited the accompanying financial statements of the governmental activities and each major fund of Saline District Library (the "Library") as of and for the year ended November 30, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Saline District 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Saline District Library as of November 30, 2007 and the changes in financial position 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 schedule - General Fund, as identified in the table of contents are not required parts of the basic financial statements but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Library's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is 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 in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

February 12, 2008



Saline District Library

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Management’s Discussion and Analysis

This discussion and analysis of Saline District Library’s (the “Library”) financial performance provides an overview of the Library’s financial activities for the fiscal year ended November 30, 2007. Please read it in conjunction with the Library’s financial statements.

Using this Annual Report

The General Fund is presented on the modified-accrual basis of accounting, which is a short-term view that tells us how the taxpayers’ resources were spent during the year, as well as how much is available for future spending. This information is then adjusted to the full-accrual basis to present a longer-term view of the Library as a whole. This longer-term view uses the full-accrual basis of accounting so that it can measure the true cost of providing services during the current year and whether the taxpayers have funded the full cost of providing library services.

The General Fund modified-accrual basis financial statements provide detail information about the Library’s current financial resources. This information is important as it demonstrates compliance with various state laws and shows the stewardship of the Library’s annual property tax and other revenue.

The Library’s full-accrual basis financial statements present information about the Library’s total economic resources, including long-lived assets and long-term obligations. This information is important as it recognizes the long-term ramifications of decisions made by the Library on an ongoing basis.

Condensed Financial Information (Full-accrual Basis)

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

	2007	2006
Assets		
Cash and cash equivalents	\$ 4,833,506	\$ 2,894,208
Investments	3,137,664	3,112,415
Capital assets	4,671,851	2,133,280
Total assets	12,643,021	8,139,903



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Management's Discussion and Analysis (Continued)

	<u>2007</u>	<u>2006</u>
Liabilities		
Accounts payable	\$ 745,252	\$ -
Other current liabilities	308,657	210,971
Long-term liabilities	<u>2,812,247</u>	<u>935,369</u>
Total liabilities	<u>3,866,156</u>	<u>1,146,340</u>
Net Assets		
Invested in capital assets - Net of debt	1,686,851	1,093,280
Restricted for debt service payments	9,342	11,227
Restricted for donor-restricted purposes	6,963	6,963
Unrestricted	<u>7,073,709</u>	<u>5,882,093</u>
Total net assets	<u>\$ 8,776,865</u>	<u>\$ 6,993,563</u>
Revenue		
Property taxes	\$ 2,371,700	\$ 1,445,911
Other	<u>640,242</u>	<u>439,427</u>
Total revenue	3,011,942	1,885,338
Expenses - Library services	<u>1,228,640</u>	<u>1,280,499</u>
Change in Net Assets	<u>\$ 1,783,302</u>	<u>\$ 604,839</u>

Full-accrual Analysis

The full-accrual statement of activities shows an increase in net assets of \$1,783,302. This reflects that taxpayers, current users, and supporters of the Library's services and facilities have paid the full cost of operating the Library, even after consideration of the depreciation of long-lived assets and the recognition of future obligations.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total \$7,073,709. Unrestricted net assets increased during the year by \$1,191,616, which is primarily due to the new millage levied for construction-related expenditures and operating expenditures being lower than anticipated.



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Management's Discussion and Analysis (Continued)

Modified-accrual Analysis

The General Fund pays for all of the Library's services. The most significant are personnel and related staffing expenses of \$733,705, which account for 67 percent of the total operating expenditures. Library services of \$150,006 include collection purchases, programs, and Internet access, and total 14 percent of the total operating expenditures. The remaining categories "facilities and equipment" of \$132,336 comprise 12 percent of total operating expenditures and "other," which includes professional services, supplies, and other expenditures, is \$74,716, or 7 percent of total operating expenditures. Transfers totaling \$347,194 were made to the Construction Fund from the General Fund to fund the ongoing building expansion. Because of the better than anticipated investment returns, fund balance in the General Fund increased by \$278,676 in fiscal year 2006/2007. Total governmental fund balance increased by \$1,218,602, primarily due to the new millage levied for construction expenditures. Fund balance decreased \$578,512 in fiscal year 2005/2006.

Budgetary Highlights

As required by State of Michigan law, the Library amended the budget to take into account events during the year.

Operating income exceeded the budgeted revenue amount by \$27,989. The Library has traditionally budgeted revenue in excess of expenditures in order to accumulate fund balance for working capital needs and to provide discretionary funds when needed for capital improvements and maintenance.

The increase in the General Fund also reflects the Library's plan to ensure adequate funding for the replacement plan for building fixtures, equipment, and computer system needs, as well as unanticipated future infrastructure maintenance.

Traditionally, fund increases are placed into designated accounts such as building improvement, equipment repair and replacement, technology, and contingencies (see Note 10 to the financial statements).

Construction began on the Library's expansion project in June 2007. Funding to date has consisted of \$2,100,000 from a new bond issue, approximately \$860,000 from the new operating millage approved by voters in 2006, and transfers from the General Fund, which includes community donations from the Friends of the Library, local businesses and individuals, and the Tax Increment Finance Authority (TIFA).



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Management's Discussion and Analysis (Continued)

Actual expenditures were \$28,009 less than the expenditure budget for the year.

Capital Asset and Debt Administration

At the end of 2007, the Library had approximately \$4,670,000 invested in a broad range of capital assets, including the building, collections, furniture, and equipment (see Note 3 to the financial statements).

The renovation and addition of the Library are progressing according to the schedule presented to the Board. The Library has been temporarily housed at Liberty School, ¼ mile from the construction site. Normal Library operations have continued with some adjustments being made to accommodate the spaces of the school building. We anticipated reopening will be in May 2008.

Standard and Poor's gave the Library an A+ credit rating when the Library issued \$2.1 million in bonds this year.

Economic Factors and Next Year's Budget

For the Library's 2007/2008 budget, expenditure increases generally reflect expected inflation of approximately 5 percent.

The Library and Saline Area Schools are working on developing a plan for the Middle School parking lot that will function better as two separate parking lots with a clear drive division between the school and the Library. If approved, the project will take place during the summer of 2008, and be completed by the start of the 2008 school year in September.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Leslee Niethammer, at (734) 429-5450.

Saline District Library

General Fund Balance Sheet/Statement of Net Assets November 30, 2007

	Fund Accounting			Full-accrual Basis	
	General Fund	Construction Fund	Total Modified-accrual Basis	Adjustments (Note 9)	Statement of Net Assets
Assets					
Cash and cash equivalents (Note 2)	\$ 1,031,740	\$ 3,801,766	\$ 4,833,506	\$ -	\$ 4,833,506
Investments (Note 2)	3,137,664	-	3,137,664	-	3,137,664
Capital assets (Note 3):					
Depreciable assets	-	-	-	1,800,788	1,800,788
Nondepreciable assets	-	-	-	2,871,063	2,871,063
Total assets	\$ 4,169,404	\$ 3,801,766	\$ 7,971,170	4,671,851	12,643,021
Liabilities					
Accounts payable	\$ -	\$ 745,252	\$ 745,252	-	745,252
Accrued and other liabilities	22,743	-	22,743	-	22,743
Accrued interest payable	-	-	-	34,972	34,972
Long-term liabilities (Note 4):					
Bonds payable - Due within one year	-	-	-	215,000	215,000
Accumulated employee benefits - Due within one year	-	-	-	25,942	25,942
Bonds payable - Due in more than one year	-	-	-	2,770,000	2,770,000
Accumulated employee benefits - Due in more than one year	-	-	-	52,247	52,247
Total liabilities	22,743	745,252	767,995	3,098,161	3,866,156
Fund Balance					
Reserved for debt service (Note 5)	9,342	-	9,342	(9,342)	-
Reserved for restricted donation (Note 5)	6,963	-	6,963	(6,963)	-
Unreserved (Note 10):					
Designated for endowment	2,652,234	-	2,652,234	(2,652,234)	-
Designated for endowment projects	30,403	-	30,403	(30,403)	-
Designated for building improvements	268,182	-	268,182	(268,182)	-
Designated for equipment purchases	177,062	-	177,062	(177,062)	-
Designated for contingencies	311,214	-	311,214	(311,214)	-
Designated for technology and Internet	292,637	-	292,637	(292,637)	-
Designated for compensated absences	52,247	-	52,247	(52,247)	-
Designated for parking lot	175,000	3,056,514	3,231,514	(3,231,514)	-
Undesignated	171,377	-	171,377	(171,377)	-
Total fund balance	4,146,661	3,056,514	7,203,175	(7,203,175)	-
Total liabilities and fund balance	\$ 4,169,404	\$ 3,801,766	\$ 7,971,170		
Net Assets					
Invested in capital assets - Net of related debt				1,686,851	1,686,851
Restricted for debt service payments				9,342	9,342
Restricted for donor-restricted purpose				6,963	6,963
Unrestricted				7,073,709	7,073,709
Total net assets				\$ 8,776,865	\$ 8,776,865

Saline District Library

Statement of General Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended November 30, 2007

	Fund Accounting			Adjustments (Note 9)	Full-accrual Basis
	General Fund	Construction Fund	Total Modified- accrual Basis		Statement of Activities
Operating Revenue					
Property taxes - Operating	\$ 1,321,747	\$ 859,966	\$ 2,181,713	\$ -	\$ 2,181,713
Single business tax	14,085	-	14,085	-	14,085
State aid - Books	17,341	-	17,341	-	17,341
Penal fines	42,461	-	42,461	-	42,461
Fines and fees	33,933	-	33,933	-	33,933
Donations	6,151	68,442	74,593	-	74,593
Library services	6,854	-	6,854	-	6,854
Miscellaneous	303	-	303	-	303
Total operating revenue	1,442,875	928,408	2,371,283	-	2,371,283
Operating Expenditures					
Personnel	733,705	-	733,705	6,190	739,895
Library services	150,006	-	150,006	(98,647)	51,359
Facilities and equipment	132,336	-	132,336	180,906	313,242
Other operating expenditures	74,716	2,596,599	2,671,315	(2,596,599)	74,716
Total operating expenditures	1,090,763	2,596,599	3,687,362	(2,508,150)	1,179,212
Operating Income (Loss)	352,112	(1,668,191)	(1,316,079)	2,508,150	1,192,071
Nonoperating Revenue (Expenditures)					
Property taxes - Debt service	189,987	-	189,987	-	189,987
Interest earnings - Debt service	3,103	-	3,103	-	3,103
Debt service:					
Principal	(155,000)	-	(155,000)	155,000	-
Interest	(36,872)	-	(36,872)	1,550	(35,322)
Investment earnings - Endowment	156,574	-	156,574	-	156,574
Investment earnings - Operating	96,373	160,923	257,296	-	257,296
Endowment projects	(9,766)	-	(9,766)	-	(9,766)
Endowment administration charges	(4,340)	-	(4,340)	-	(4,340)
Investment earnings on donated stock	33,699	-	33,699	-	33,699
Total nonoperating revenue	273,758	160,923	434,681	156,550	591,231
Excess of Revenues Over (Under) Expenditures	625,870	(1,507,268)	(881,398)	2,664,700	1,783,302
Other Financing Sources (Uses)					
Operating transfers in (out)	(347,194)	347,194	-	-	-
Proceeds from issuance of debt	-	2,100,000	2,100,000	(2,100,000)	-
Total other financing sources (uses)	(347,194)	2,447,194	2,100,000	(2,100,000)	-
Net Change in Fund Balance/Net Assets	278,676	939,926	1,218,602	564,700	1,783,302
Fund Balance/Net Assets - December 1, 2006	3,867,985	2,116,588	5,984,573	1,008,990	6,993,563
Fund Balance/Net Assets - November 30, 2007	\$ 4,146,661	\$ 3,056,514	\$ 7,203,175	\$ 1,573,690	\$ 8,776,865

Note I - Nature of Organization and Summary of Significant Accounting Policies

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

Reporting Entity

Saline District Library is governed by a seven-member board of trustees. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

Modified-accrual and Full-accrual Data

The Library has two funds, the General Fund, the Library's primary operating fund, and the Construction Fund. The Construction Fund is used to account for the resources to be used for the eventual expansion of the Library's building.

The governmental funds are budgeted and accounted for 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 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, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Saline District Library's borders encompass the City of Saline and portions of Saline Township, York Township, Lodi Township, Pittsfield Township, Freedom Township, and Bridgewater Township. Property taxes are levied on each December 1. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2006 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended November 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

The 2006 taxable valuation of the Library's district totaled \$1.586 billion, on which taxes levied consisted of 1.3830 mills for operating purposes and .1211 mills for bond payments. This resulted in approximately \$2,182,000 for operating and \$190,000 for bond payments. These amounts are recognized in the General Fund and Construction Fund financial statements as property tax revenue.

In addition to presenting information for the funds, the basic financial statements combine all fund activity and present information for the Library as a whole, 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified-accrual and full-accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full-accrual presentation.

Financial Statement Amounts

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are recorded at fair value, based on quoted market prices.

Capital Assets - Generally, capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Library books, CDs, and audio and visual tapes which comprise the Library's collection are recorded as assets using various estimating techniques. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the \$1,000 capitalization threshold.

Saline District Library

Notes to Financial Statements
November 30, 2007

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

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:

Building and support systems	20-50 years
Equipment and furniture	5-10 years
Interiors and shelving	20 years
Improvements	10-20 years
Collections	3-9 years

The Library purchases student art each year from the Saline High School Spring Art Show. The pieces are on public exhibition in the library building. The art collection is not capitalized or depreciated as part of capital assets as it meets all of the following conditions:

- a. Collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- b. Collections are protected, kept unencumbered, cared for, and preserved.
- c. Collections are subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Compensated Absences (Vacation and Sick Leave) - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

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.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Transfers - The transfer from the General Fund to the Construction Fund will be used to finance the expansion of the Library's building.

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 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures 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 that are legal for direct investment by local units of government in Michigan.

The Library has designated nine banks for the deposit of Library funds. The investment policy for unrestricted funds adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the authorized investment vehicles listed above. The investment policy for the board-designated endowment fund and restricted funds adopted by the board has authorized investments in accordance with the Uniform Management of Institutional Funds Act, Public Act 157 of 1976. The Library's deposits and investment policies are in accordance with statutory authority.

Saline District Library

Notes to Financial Statements November 30, 2007

Note 2 - Deposits and Investments (Continued)

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$3,625,038 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Library believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Library's name:

Type of Investment	Carrying Value	How Held
U.S. government notes	\$ 234,515	Counterparty
U.S. agency notes	2,196,579	Counterparty

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Type of Investment	Carrying Value	Weighted Average Maturity
U.S. government notes	\$ 234,515	5.63 years
U.S. agency notes	2,196,579	2.48 years

Saline District Library

Notes to Financial Statements November 30, 2007

Note 2 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Type of Investment	Fair Value	Rating	Rating Organization
U.S. government agency notes	\$ 2,196,579	AAA	S&P
Investment pools	898,834	AAA	S&P

Concentration of Credit Risk

The Library places no limit on the amount the Library may invest in any one issuer.

Investment Earnings Summary

At November 30, 2007, the fair value and cumulative unrealized gain on the Library's investments were as follows:

	Original Cost/Donated Value	Fair Value	Unrealized Gain
U.S. government securities	\$ 2,689,377	\$ 2,735,412	\$ 46,035
Stock - Donated	20,000	108,908	88,908
Certificates of deposit	293,344	293,344	-
Total	\$ 3,002,721	\$ 3,137,664	\$ 134,943

Saline District Library

Notes to Financial Statements November 30, 2007

Note 2 - Deposits and Investments (Continued)

Investment earnings resulted from the following:

Unrealized gain on investments - End of year	\$ 134,943
Unrealized gain on investments - Beginning of year	<u>26,979</u>
Current year change in market value	107,964
Other investment income - Interest, dividends, and realized gains	<u>342,708</u>
Total investment earnings	<u>\$ 450,672</u>

The classification of investment earnings per the statement of General Fund revenue, expenditures, and changes in fund balance/statement of activities is as follows:

Investment earnings:	
Debt service	\$ 3,103
Endowment	156,574
Trust	96,373
Donated stock	33,699
Construction Fund	<u>160,923</u>
Total investment earnings	<u>\$ 450,672</u>

Saline District Library

Notes to Financial Statements November 30, 2007

Note 3 - Capital Assets

Capital asset activity of the Library is as follows:

	Balance December 1, 2006	Additions	Disposals and Adjustments	Balance November 30, 2007
Capital assets not being depreciated:				
Land	\$ 192,660	\$ -	\$ -	\$ 192,660
Construction in progress	57,573	2,620,830	-	2,678,403
Subtotal	250,233	2,620,830	-	2,871,063
Capital assets being depreciated:				
Buildings and support systems	2,418,884	-	-	2,418,884
Improvements	192,918	-	-	192,918
Interiors	183,868	-	38,161	145,707
Shelving	146,896	-	-	146,896
Automated library systems	95,687	760	-	96,447
Equipment and furniture	148,955	9,429	1,561	156,823
Collections - Library books, CDs, and audio/visual	1,697,001	98,647	32,271	1,763,377
Subtotal	4,884,209	108,836	71,993	4,921,052
Accumulated depreciation:				
Buildings and support systems	(959,272)	(43,715)	-	(1,002,987)
Improvements	(157,968)	(12,861)	-	(170,829)
Interiors	(158,492)	(6,219)	(34,242)	(130,469)
Shelving	(70,208)	(7,351)	-	(77,559)
Automated library systems	(63,719)	(19,289)	-	(83,008)
Equipment and furniture	(108,278)	(12,403)	(1,561)	(119,120)
Collections - Library books, CDs, and audio/visual	(1,483,225)	(85,338)	(32,271)	(1,536,292)
Subtotal	(3,001,162)	(187,176)	(68,074)	(3,120,264)
Net capital assets being depreciated	1,883,047	(78,340)	3,919	1,800,788
Net capital assets	<u>\$ 2,133,280</u>	<u>\$ 2,542,490</u>	<u>\$ 3,919</u>	<u>\$ 4,671,851</u>

The Library has entered into several construction contracts related to the building expansion project totaling \$4,534,821. As of November 30, 2007, \$2,380,427 has been spent.

Saline District Library

Notes to Financial Statements November 30, 2007

Note 4 - Long-term Debt

Long-term debt activity can be summarized as follows:

	Balance December 1, 2006			Balance November 30, 2007		Due Within One Year
	Additions	Reductions				
Governmental Activities						
Bonds payable - 2002 General obligation bonds, original issue of \$1,605,000, maturing through 2012, with interest rates ranging from 2.50%-3.85%	\$ 1,040,000	\$ -	\$ (155,000)	\$ 885,000	\$ 165,000	
Bonds payable - 2007 General obligation bonds, original issue of \$2,100,000, maturing through 2026, with interest rates ranging from 4.00%-4.25%	-	2,100,000	-	2,100,000	50,000	
Other long-term liabilities - Compensated absences	71,999	6,190	-	78,189	25,942	
Total long-term debt and other long-term liabilities	<u>\$ 1,111,999</u>	<u>\$ 2,106,190</u>	<u>\$ (155,000)</u>	<u>\$ 3,063,189</u>	<u>\$ 240,942</u>	

Compensated absences represent the estimated liability to be paid employees under the Library's vacation and sick pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library.

Debt Service Requirements

The annual requirements to service all debt outstanding as of November 30, 2007 (excluding employee benefits) through maturity, including both principal and interest, are as follows:

Years Ending November 30	Principal	Interest	Total
2008	\$ 215,000	\$ 138,917	\$ 353,917
2009	245,000	109,516	354,516
2010	255,000	100,466	355,466
2011	260,000	90,704	350,704
2012	280,000	80,564	360,564
2013-2017	500,000	308,781	808,781
2018-2022	625,000	194,561	819,561
2023-2026	605,000	52,659	657,659
Total	<u>\$ 2,985,000</u>	<u>\$ 1,076,168</u>	<u>\$ 4,061,168</u>

Saline District Library

Notes to Financial Statements November 30, 2007

Note 4 - Long-term Debt (Continued)

Interest

Interest expense of the Library for the year ended November 30, 2007 was approximately \$35,000.

Note 5 - Reserved Fund Balance/Restricted Net Assets

Fund balance has been reserved for debt service in an amount equal to collections of debt millage in excess of bond payments to date.

During 1997, the Library received a donation of corporate stock valued at \$20,000 that was restricted for expenditures relating to the development of the Library's music collection and gardening improvements. Fund balance has been reserved in an amount equal to the donation less any expenditures.

Both of the above items meet the criteria that also require the amounts to be restricted on the statement of net assets.

Note 6 - Budget Information

The annual budget is prepared by the Library management and adopted by the Library board; subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at November 30, 2007 has not been calculated.

The budget process is initiated in August for the following fiscal year by the department heads and the Library director. They forecast the financial implications for the upcoming fiscal year and the Library director develops a draft budget. The draft budget is presented to and approved by the Library board after a public hearing in November. Amendments are made during the year as necessary, with final adjustments made at the last board meeting of November before the end of the year. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a total revenue and expenditures basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the Library board can be seen by examining the totals in the budgetary comparison schedule - General Fund in the required supplemental information section. The line-item detail shown is not part of the adopted budget and is shown for management analysis only.

Note 7 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for all such 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 - Defined Contribution Retirement Plan

The Library provides pension benefits through a defined contribution plan, created in accordance with IRC Section 414(h), to all of its employees who work in excess of 20 hours per week on a regularly scheduled basis and who are not covered by a collective bargaining agreement. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year of service. As established by the trust, both the Library and the employees contribute 5 percent of gross earnings, which resulted in employer and employee contributions of \$26,071 each. The Library's contributions for each employee (plus interest allocated to the employee's account) are fully vested after five years of service.

Saline District Library

Notes to Financial Statements November 30, 2007

Note 9 - Reconciliation of General Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Library's General Fund differ from net assets and change in net assets of the governmental activities 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 financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified-accrual basis	\$ 7,203,175
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	4,671,851
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(2,985,000)
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	(34,972)
Compensated absences are included as a liability	<u>(78,189)</u>
Net Assets of General Fund - Full-accrual basis	<u>\$ 8,776,865</u>

Saline District Library

Notes to Financial Statements November 30, 2007

Note 9 - Reconciliation of General Fund Financial Statements to Government-wide Financial Statements (Continued)

Net Change in Fund Balances - Modified-accrual basis \$ 1,218,602

Amounts reported in the statement of activities are different
because:

Capital outlays are reported as expenditures in the statement
of revenue, expenditures, and changes in fund balance; in
the statement of activities, these costs are allocated over
their estimated useful lives as depreciation:

Library books and materials	98,647
Capital outlay	2,606,788
Depreciation	(187,176)

Losses resulting from disposals of capital assets are reported
in the statement of activities, but not in the fund statements (3,919)

Increase in accrual for long-term compensated absences
reported as an expenditure in the statement of activities,
but not in the fund statements (6,190)

Decrease in accrued interest expense reduces the expense reported
in the statement of activities, but not in the fund statements 1,550

Bond proceeds are not reported as financing sources
on the statement of activities (2,100,000)

Repayments of bond principal are reported as an expenditure
in the fund statements, but not in the statement of activities
(where it reduces long-term debt) 155,000

Change in Net Assets of General Fund - Full-accrual basis \$ 1,783,302

Saline District Library

Notes to Financial Statements November 30, 2007

Note 10 - Changes in Fund Balance - General Fund

	General Fund											
	Reserved for		Designated for								Unreserved/ Undesignated	Total
	Debt Service	Restricted Donation	Endowment	Endowment Projects	Building Improvement	Equipment Purchases	Contingencies	Internet and Technology	Compensated Absences	Parking Lot		
Balance - December 1, 2006	\$ 11,227	\$ 6,963	\$ 2,500,000	\$ 10,403	\$ 234,943	\$ 155,117	\$ 261,214	\$ 273,889	\$ 50,369	\$ -	\$ 363,860	\$ 3,867,985
Excess of revenue over expenditures	-	-	-	-	-	-	-	-	-	-	625,870	625,870
Additional designations	-	-	152,234	29,766	33,239	21,945	50,000	18,748	1,878	175,000	(482,810)	-
Transfers to Construction Fund	-	-	-	-	-	-	-	-	-	-	(347,194)	(347,194)
Expenditures from designations/reserves	(1,885)	-	-	(9,766)	-	-	-	-	-	-	11,651	-
Balance - November 30, 2007	<u>\$ 9,342</u>	<u>\$ 6,963</u>	<u>\$ 2,652,234</u>	<u>\$ 30,403</u>	<u>\$ 268,182</u>	<u>\$ 177,062</u>	<u>\$ 311,214</u>	<u>\$ 292,637</u>	<u>\$ 52,247</u>	<u>\$ 175,000</u>	<u>\$ 171,377</u>	<u>\$ 4,146,661</u>

Required Supplemental Information

Saline District Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended November 30, 2007

	Originally Adopted Budget	Final Amended Budget	Actual Balance	Actual Over (Under) Budget
Operating Revenue				
Property taxes - Operating	\$ 1,260,609	\$ 1,321,747	\$ 1,321,747	\$ -
Single business tax	-	14,085	14,085	-
State aid - Books	17,000	17,341	17,341	-
Penal fines	40,000	42,461	42,461	-
Fines and fees	33,240	33,933	33,933	-
Donations	7,500	6,151	6,151	-
Library services	8,930	6,854	6,854	-
Miscellaneous	-	323	303	(20)
Total operating revenue	<u>1,367,279</u>	<u>1,442,895</u>	<u>1,442,875</u>	<u>(20)</u>
Operating Expenditures				
Personnel	751,726	749,665	733,705	(15,960)
Library services	208,350	156,936	150,006	(6,930)
Facilities and equipment	252,500	145,947	132,336	(13,611)
Other operating expenditures	71,110	66,224	74,716	8,492
Total operating expenditures	<u>1,283,686</u>	<u>1,118,772</u>	<u>1,090,763</u>	<u>(28,009)</u>
Operating Income	83,593	324,123	352,112	27,989
Nonoperating Revenue (Expenditures)				
Property taxes - Debt service	186,064	189,987	189,987	-
Interest earnings - Debt service	900	3,066	3,103	37
Debt service:				
Principal	(155,000)	(155,000)	(155,000)	-
Interest	(36,872)	(36,872)	(36,872)	-
Investment earnings - Endowment	95,786	93,083	156,574	63,491
Investment earnings - Trust	45,000	71,296	96,373	25,077
Endowment donations	2,000	-	-	-
Endowment projects	(25,000)	(9,766)	(9,766)	-
Endowment administration charges	(11,654)	(11,654)	(4,340)	-
Investment earnings on donated stock	-	-	33,699	33,699
Total nonoperating revenue	<u>101,224</u>	<u>144,140</u>	<u>273,758</u>	<u>129,618</u>
Excess of Revenues Over Expenditures	184,817	468,263	625,870	157,607
Other Financing Uses - Transfers out	<u>(996,680)</u>	<u>(1,009,965)</u>	<u>(347,194)</u>	<u>(662,771)</u>
Change in Fund Balance	(811,863)	(541,702)	278,676	820,378
Fund Balance - December 1, 2006	<u>4,497,411</u>	<u>3,867,985</u>	<u>3,867,985</u>	<u>-</u>
Fund Balance - November 30, 2007	<u>\$ 3,685,548</u>	<u>\$ 3,326,283</u>	<u>\$ 4,146,661</u>	<u>\$ 820,378</u>

Other Supplemental Information

Saline District Library

Other Supplemental Information Schedule of Operating Expenditures Year Ended November 30, 2007

	General Fund - Modified- accrual Basis	Construction Fund - Modified- accrual Basis	Adjustments	Statement of Activities
Personnel				
Salaries and wages	\$ 624,725	\$ -	\$ -	\$ 624,725
Fringe benefits	<u>108,980</u>	<u>-</u>	<u>6,190</u>	<u>115,170</u>
Total personnel	733,705	-	6,190	739,895
Library Services				
Collections	109,129	-	(98,647)	10,482
Online access	31,297	-	-	31,297
Programs	<u>9,580</u>	<u>-</u>	<u>-</u>	<u>9,580</u>
Total library services	150,006	-	(98,647)	51,359
Facilities and Equipment				
Repairs and maintenance	70,945	-	(760)	70,185
Capital improvements	13,142	-	(5,510)	7,632
Depreciation	-	-	187,176	187,176
Utilities	37,099	-	-	37,099
Insurance	<u>11,150</u>	<u>-</u>	<u>-</u>	<u>11,150</u>
Total facilities and equipment	132,336	-	180,906	313,242
Other Operating Expenditures				
Professional services	39,690	2,596,599	(2,596,599)	39,690
Supplies	20,619	-	-	20,619
Tax adjustment	9,925	-	-	9,925
Miscellaneous	<u>4,482</u>	<u>-</u>	<u>-</u>	<u>4,482</u>
Total other operating expenditures	<u>74,716</u>	<u>2,596,599</u>	<u>(2,596,599)</u>	<u>74,716</u>
Total operating expenditures	<u>\$ 1,090,763</u>	<u>\$ 2,596,599</u>	<u>\$ (2,508,150)</u>	<u>\$ 1,179,212</u>



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February 12, 2008

To the Board of Directors
Saline District Library

We have recently completed our audit of the basic financial statements of Saline District Library (the "Library") for the year ended November 30, 2007. 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. This report is intended solely for the use of the finance committee, board of directors, and others within the organization.

New Audit Standards

New auditing rules effective December 31, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standard (Statement on Auditing Standards No. 112, referred to as SAS 112) requires us to inform you about any matters noted in your accounting procedures or internal controls that the new auditing standards define as a "significant deficiency" or "material weakness." The new threshold for a "significant deficiency" is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency.

We are also required to communicate these matters to more people. In the past, we have sometimes provided comments of this nature as part of a draft meeting with management. Only material internal control issues have been included in our letter. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the Library board members, in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit of the financial statements of Saline District Library as of and for the year ended November 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America 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.

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 audit, we noted the following material weaknesses:

- Invoices payable, primarily related to the Library construction project, were not accrued as of November 30, 2007.
- Significant auditor journal entries were required in order for the financial statements to be in accordance with generally accepted accounting principles.

A second new standard was also implemented as of December 31, 2006. Statement on Auditing Standards No. 103, *Audit Documentation* (referred to as SAS 103), required many changes to our audit workpapers, most of which would not be apparent to the Library. The one significant change resulting from SAS 103 that the Library would notice is the change to the date of the auditor's opinion letter and this letter. Historically, these letters have been dated as of the end of our audit fieldwork. By implementing SAS 103, the date is extended to the point in time when the Library's management has asserted its responsibility for the financial statements. We consider this point in time to be the date of the audit draft meeting.

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

We conducted our audit of the basic financial statements of Saline District Library in accordance with auditing standards generally accepted in the United States of America. The following paragraphs explain 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 responsibility. We may make suggestions as to the form or content of the financial statements or even draft them, in whole or in part, based on 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 representations 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 with 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 irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

Auditor's Responsibility for Testing and Reporting on Internal Controls and Compliance with Laws and Regulations

In the audit process, we gain an understanding of the internal control structure of an entity as well as the laws and regulations having a direct and material effect on the 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 organization documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the entity's internal control structure or the entity's compliance with laws and regulations.

The limited purpose of these tests in a financial statement audit may not meet the needs of some users of auditors' reports who require additional information on internal controls and on compliance with laws and regulations. To meet certain audit report users' needs, laws and regulations often prescribe testing and reporting on internal controls and compliance to supplement the financial statement audit's coverage of these areas. In accordance with regulatory requirements covering federal awards, supplemental testing of and reporting on internal controls and compliance were performed. Nevertheless, even after performing and reporting the results of these additional tests of internal controls and compliance required by laws and regulations, some reasonable needs of report users may still be unmet. We may meet these needs by performing further tests of internal controls and compliance with laws and regulations in either of two ways:

1. Supplemental (or agreed-upon) procedures, or
2. Examination, resulting in an opinion

For the year ended November 30, 2007, we were not engaged to nor did we perform the additional services listed in #1 and #2 above.

Significant Accounting Policies

Auditing standards call for us to inform you regarding the initial selection of, and change in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There were no significant unusual transactions or controversial or significant emerging areas for which new accounting policies were needed.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Auditing standards call for us to report to you about 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. Further, we are expected to report to you about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates. We noted no matters related to sensitive accounting estimates.

Significant Audit Adjustments

Auditing standards call for us to report to you significant audit adjustments that, in our judgment, may not have been detected except through the auditing procedures we performed. As a result of our audit, significant adjustments were made for the following:

- Accounts payable, primarily related to the Library construction
- Investments, for unrealized gains
- Operating transfers, for transfers from General Fund to the Construction Fund to help finance the construction project

Auditing standards also require us to inform you about uncorrected possible financial statement adjustments identified by us during the current engagement and pertaining to the latest period presented, which were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of the unrecorded possible financial statement adjustments is included as an attachment to this letter.

Other Information in Documents Containing Audited Financial Statements

When our audit report and the audited financial statements are included in a client document, we have a responsibility to read that document and consider whether anything therein is inconsistent with the information in the audited financial statements. It is our understanding that the audited financial statements are currently not expected to be included in any other document.

Disagreements with Management

There were no disagreements with management over the application of accounting principles or the basis for management's judgments about accounting estimates. Additionally, there were no disagreements regarding the scope of the audit, disclosures to be included in the financial statements, or the wording of the auditor's report.

February 12, 2008

Consultation with Other Accountants

To our knowledge, there were no such consultations with other accountants.

Upcoming Auditing Standards

Effective December 31, 2007, in time for next year's audit, the Library will be required to implement several additional audit standards. These standards will require the auditors to perform significant additional procedures related to the Library's internal controls. This is an excellent opportunity to review the controls that are in place at the Library and create internal documentation regarding the design of the internal control environment. As always, Plante & Moran, PLLC is available to assist you in implementing the new standards.

This communication is intended solely for the information and use of management and the board of directors of Saline District Library and is not intended to be and should not be used by anyone other than these specified parties.

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.

Very truly yours,

Plante & Moran, PLLC



Leslie J. Pulver



Brian J. Camiller