

**Maple Rapids Public Library
Clinton County, Michigan**

FINANCIAL STATEMENTS

December 31, 2003

Maple Rapids Public Library

Clinton County, Michigan

December 31, 2003

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Maple Rapids Public Library

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Principals

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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
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Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Maple Rapids Public Library
Maple Rapids, Michigan

We have audited the accompanying financial statements of the Maple Rapids Public Library as of and for the year ended December 31, 2003, as listed in the Table of Contents. These financial statements are the responsibility of the Library's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note A, the Maple Rapids Public Library prepares its financial statements on the basis of cash receipts and disbursements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the General Fixed Assets Account Group which should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the General Fixed Assets Account Group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of the Maple Rapids Public Library as of December 31, 2003, and its revenues, expenditures, and changes in fund balance for the year then ended on the basis of accounting described in Note A.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 6, 2004

Maple Rapids Public Library

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE - CASH BASIS

December 31, 2003

ASSETS		
Cash		\$ 57,833
Investments		<u>19,298</u>
TOTAL ASSETS		<u>\$ 77,131</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		\$ -
FUND BALANCE		
Unreserved		
Undesignated		<u>77,131</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 77,131</u>

See accompanying notes to financial statements.

Maple Rapids Public Library

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - CASH BASIS

Year Ended December 31, 2003

REVENUES	
Taxes	\$ 7,424
Penal fines	32,847
Intergovernmental - State	3,266
Contribution - local	1,212
Donations	50
Interest	1,035
Video rentals	4,771
Miscellaneous	<u>2,381</u>
TOTAL REVENUES	52,986
EXPENDITURES	
General government	
Recreation and cultural	
Salaries	25,416
Payroll taxes	1,935
Office supplies	4,154
Books, periodicals, and tapes	12,565
Per diem fees	500
Insurance	693
Telephone	2,143
Utilities	2,814
Equipment	177
Repairs and maintenance	1,113
Dues and memberships	148
Miscellaneous	<u>696</u>
TOTAL EXPENDITURES	<u>52,354</u>
EXCESS OF REVENUES OVER EXPENDITURES	632
Fund balance, beginning of year	<u>76,499</u>
Fund balance, end or year	<u>\$ 77,131</u>

See accompanying notes to financial statements.

Maple Rapids Public Library

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - CASH BASIS

Year Ended December 31, 2003

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 6,500	\$ 7,424	\$ 924
Penal fines	36,000	32,847	(3,153)
Intergovernmental - State	4,200	3,266	(934)
Contribution - local	1,500	1,212	(288)
Donations	-	50	50
Interest	-	1,035	1,035
Video rentals	-	4,771	4,771
Miscellaneous	-	2,381	2,381
	<u>48,200</u>	<u>52,986</u>	<u>4,786</u>
TOTAL REVENUES			
EXPENDITURES			
General government			
Recreation and cultural			
Salaries	17,500	25,416	(7,916)
Payroll taxes	1,500	1,935	(435)
Office supplies	5,000	4,154	846
Books, periodicals, and tapes	14,500	12,565	1,935
Per diem fees	500	500	-0-
Insurance	700	589	111
Telephone	2,000	2,143	(143)
Utilities	3,500	2,814	686
Equipment	-	177	(177)
Repairs and maintenance	2,000	1,113	887
Dues and memberships	-	148	(148)
Miscellaneous	-	800	(800)
	<u>47,200</u>	<u>52,354</u>	<u>(5,154)</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER EXPENDITURES			
	1,000	632	(368)
Fund balance, beginning of year	<u>76,499</u>	<u>76,499</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 77,499</u>	<u>\$ 77,131</u>	<u>\$ (368)</u>

See accompanying notes to financial statements.

Maple Rapids Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under Public Act 164 Section 10 of 1877, the Village of Maple Rapids created the Maple Rapids Public Library. The Village collects and distributes property taxes that are levied by the Library. The Library has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the by-laws of the Library.

The governing body of the Library is an elected Board by the Village, which is comprised of seven (7) members.

The Maple Rapids Public Library's goal is to provide quality library service to Maple Rapids area residents by improving library service and encouraging educational advancement.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present all financial activities of the Maple Rapids Public Library. The Maple Rapids Public Library has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Maple Rapids Public Library contain the fund that is controlled by the Maple Rapids Public Library Board.

2. Basis of Presentation

The operation of the Library is organized on the basis of a General Fund. The operation of the General Fund is accounted for with a separate set of self-balancing accounts that comprise of assets, liabilities, fund equity, revenues, and expenditures. Library resources are allocated to and accounted for in the general fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The General Fund reported in the financial statements is categorized and described as follows:

GOVERNMENTAL FUNDS

- a. General Fund - The General Fund is the general operating fund of the Library and is used to account for all financial resources.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Maple Rapids Public Library
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The accounting policies of the Library do not conform to accounting principles generally accepted in the United States of America as applicable to Libraries. The General Fund is accounted for using the cash basis of accounting. That basis differs from accounting principles generally accepted in the United States of America primarily because the Library has not recognized accounts receivable, accounts payable, and accrued items and their related affects on the changes in fund balance.

5. Cash and Investments

Cash consists of one (1) money market checking account.

Investments include a certificate of deposit with an original maturity of greater than 90 days from the date of purchase.

6. Property Taxes

The Village levies and collects the property taxes for the Library. The Library tax is collected and paid in full by the Village Treasurer. At March 1 each year the Village settles their delinquent taxes with their County Treasurer and the unpaid real property tax is remitted to the Village by the County Treasurer in Clinton County. Delinquent personal property taxes are retained by the Village Treasurer for subsequent collection. The Library is permitted to levy up to \$1 per \$1,000 of assessed valuation on property within the Village. For the year ended December 31, 2003, the Library levied 0.8579 mills.

7. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements was prepared on a basis consistent with the basis used to reflect actual results. The Library employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The Library prepares the proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.
- c. The budget is legally adopted at the total expenditure account level and maintained at the account level.
- d. Budgeted amounts are reported as originally adopted or amended by the Library Board during the year.

8. General Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Asset Account Group. However, the Library has not maintained or reported a General Fixed Asset Account Group in these financial statements.

Maple Rapids Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Comparative Data

Comparative data has not been presented in the financial statements due to the Library's requirement to prepare audited financial statements only once every two years.

NOTE B: CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Maple Rapids Public Library is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits of the Library are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Maple Rapids Public Library.

Maple Rapids Public Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE B: CASH AND INVESTMENTS - CONTINUED

As of December 31, 2003, the carrying amount and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ 57,833	\$ 60,786
Certificate of deposit	<u>19,298</u>	<u>19,298</u>
TOTAL	<u>\$ 77,131</u>	<u>\$ 80,084</u>

As of December 31, 2003, the Library's deposits were fully insured by the FDIC.

NOTE C: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the financial statements, the Library's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budget of the Library has been adopted at the total expenditure level for the General Fund.

During the year ended December 31, 2003 the Library incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government	\$ 47,200	\$ 52,354	\$ 5,154

NOTE D: RISK MANAGEMENT

The Library is exposed to various risks of loss for general and property liability for which the Library carries commercial insurance.

NOTE E: GASB STATEMENT NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB Statement No. 34 must be implemented by Maple Rapids Public Library for financial statements issued the fiscal year ending December 31, 2004 and later.

Principals

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MANAGEMENT LETTER

To the Members of the Board of Trustees
Maple Rapids Public Library
Maple Rapids, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Maple Rapids Public Library for the year ended December 31, 2003. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. Budgets should be monitored and amended when necessary.

As noted in the annual financial statements, the budgeted expenditures of the Library exceeded the amounts appropriated.

The Michigan Public Act 621 of 1978, as amended, provides that the Library adopt a formal budget for the General Fund, and shall not incur expenditures in excess of amounts appropriated.

We suggest the Library monitor expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

2. The Library should adopt a written credit card policy.

During the course of the audit it was noted that the Library had received credit cards to purchase supplies. An inquiry of Library personnel indicated that the Library Board had not adopted a formal written credit card policy as required by P.A. 266 of 1995 (MCL 129.241).

We suggest that the Library adopt a formal credit card policy as soon as possible to comply with the State of Michigan requirements. The policy must include and/or address the following items:

- a. An officer or employee designated to oversee credit card issuance, accounting, monitoring, and compliance with the policy;
- b. The use of the credit card only for the purchase of goods and services for the official business of the local unit;
- c. User of the credit card must submit documentation of what goods and services were purchased, the cost, the date of purchase, and the official business for which purchase was made;
- d. Office or employee is responsible for credit card protection and custody and must report lost or stolen cards;

- e. Credit card to be returned to local unit at termination of official or employee;
- f. Internal control systems over the use of credit cards;
- g. Approval of credit card invoices prior to payment
- h. The balance including interest must be paid within 60 days of the initial statement date;
- i. Disciplinary measures for unauthorized use of a credit card; and
- j. Other matters the local unit considers advisable.

3. Detailed records should be kept of all cash receipts.

During our testing of the receipt process, we noted that the Library did not have a detailed receipt log and supporting documentation was not retained for receipts throughout the year.

We suggest that a receipt log be maintained for all cash receipts and that all supporting documentation is retained.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the financial statements, dated February 6, 2004.

This report is intended solely for the use of management and the Board of Trustees of the Maple Rapids Public Library, and should not be used for any other purpose.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 6, 2004