

SAUGATUCK-DOUGLAS DISTRICT LIBRARY

AUDIT REPORT

YEAR ENDED JUNE 30, 2007

DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

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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 checked="" type="checkbox"/> Other		Local Unit Name Saugatuck-Douglas District Library	County Allegan
Fiscal Year End 6/30/07	Opinion Date 11/19/07	Date Audit Report Submitted to State 11/27/07	

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.

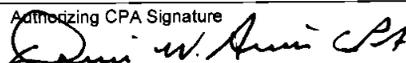
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) DeLong & Brower, PC		Telephone Number 616-396-0500		
Street Address 238 Hoover Blvd, Suite 10		City Holland	State MI	Zip 49423
Authorizing CPA Signature 		Printed Name David W. Sides, CPA		License Number 17758

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DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Holland, Michigan
November 19, 2007

Library Board
Saugatuck-Douglas District Library

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Saugatuck-Douglas District Library as of and for the year ended June 30, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Due to the fact that it was impractical to verify contributions received by the Library, our audit procedures were not extended beyond the examination of recorded receipts.

In our opinion, except as stated above, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Saugatuck-Douglas District Library as of June 30, 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 2 through 3 and 17 are not a required part 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.

DELONG & BROWER, P.C.



Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Saugatuck-Douglas District Library (the "Library"), we offer readers of the Library's financial statements this narrative review and analysis of the financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's financial statements. The Library's basic financial statements are comprised of three components:

1. Government-wide statements
2. Fund financial statements, and
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Statements

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

The statement of activities presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The government-wide financial statements can be found on pages 4 and 5 of this report.

Fund Financial Statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Library is accounted for in governmental funds.

Governmental Funds

The Library maintains governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the operating fund and gift and memorial fund. The operating fund is a major fund for financial reporting purposes as defined by GASB Statement #34.

The Library adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided herein to demonstrate compliance with that budget.

The basic governmental fund financial statements can be found on pages 6 through 9 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Library's financial statements. The notes to the financial statements can be found on pages 10 through 15 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management discussion and analysis and the budgetary comparison schedule found on page 17 of this report.

Economic Factor and Next Year's Budgets and Rates

The following factor was considered in preparing the Library's budget for the 2007-2008 fiscal year.

Amounts of anticipated grants and contributions will be reduced because fund raising is more challenging.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2007, the Library had \$ 588,475, net of depreciation, invested in capital assets, including land, building, collection material, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$263,865 from last year.

Noteworthy events include the purchase of property located at 147 Center Street in Douglas. Additional detailed information about the Library's capital assets is presented in the *Notes to the Financial Statements*.

Debt Administration

During the fiscal year, the Library entered into an installment purchase agreement for \$250,000 to facilitate the purchase of the property at 147 Center Street. Additional detailed information about the Library's debt obligations is presented in the *Notes to the Financial Statements*.

Financial Analysis of the Government's Funds

As of the end of the current fiscal year the combined fund balance of \$137,181 reflects an increase of \$691 from the previous year; an increase of .5%. During the current fiscal year, revenues increased 23% and expenditures increased 140%. The increase in expenditures was due primarily to the purchase of the property located at 147 Center Street.

The Library's primary source of revenue is from property taxes, representing 71% of total Operating Fund revenue. Penal fines are the secondary funding source, representing 19% of total Operating Fund revenue.

Salaries and payroll taxes are a significant expense of the Library, representing 42% of total Operating Fund expenditures.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Saugatuck-Douglas District Library, PO Box 789, Douglas, MI 49406-0789.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Governmental Activities</u>
ASSETS	
Cash in Bank	
Checking Account	\$ 72,340
Investments	57,214
Accounts Receivable	7,148
Due From State	2,596
Due From Other Governmental Units	3,678
Capital Assets less Accumulated Depreciation of \$296,645	588,475
TOTAL ASSETS	\$ 731,451
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts Payable	\$ 2,928
Payroll Taxes Payable	2,867
Accrued Interest Payable	1,373
Long-Term Liabilities:	
Installment Purchase Agreement, Due Within One Year	25,000
Installment Purchase Agreement, Due in More Than One Year	200,000
Total Liabilities	232,168
 NET ASSETS	
Investment in Capital Assets - Net of Related Debt Unrestricted	362,102 137,181
Total Net Assets	499,283
 TOTAL LIABILITIES AND NET ASSETS	 \$ 731,451

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

	Program Revenues			Governmental Activities
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Programs	\$ 131,278	\$ -	\$ -	\$ (131,278)
General and Administrative	104,636	-	-	(104,636)
Interest on Long-Term Debt	5,969	-	-	(5,969)
Depreciation (Unallocated)	60,366	-	-	(60,366)
Total Governmental Activities	\$ 302,249	\$ -	\$ -	\$ (302,249)
General Revenue:				
Property Taxes, Levied for General Purposes				217,293
Penal Fines				58,544
State Sources				5,212
Interest and Investment Earnings				3,274
Contributions				38,689
Other				17,420
				17,420
			Total General Revenue	340,432
			Change in Net Assets	38,183
			Net Assets at Beginning of Year	461,100
			Net Assets at End of Year	\$ 499,283

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007**

	<u>Operating</u> <u>Fund</u>	<u>Gift</u> <u>and</u> <u>Memorial</u> <u>Fund</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
ASSETS			
Cash in Bank			
Checking Account	\$ 70,216	\$ 2,124	\$ 72,340
Investments	57,214	-	57,214
Accounts Receivable	3,965	3,183	7,148
Due From State	2,596	-	2,596
Due From Other Governmental Units	3,678	-	3,678
	<hr/>		
TOTAL ASSETS	\$ 137,669	\$ 5,307	\$ 142,976
	<hr/> <hr/>		
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 2,928	\$ -	\$ 2,928
Payroll Taxes Payable	2,867	-	2,867
	<hr/>		
Total Liabilities	5,795	-	5,795
	<hr/>		
FUND BALANCES			
Unrestricted			
Undesignated Available for General Activities	131,874	5,307	137,181
	<hr/>		
Total Fund Balances	131,874	5,307	137,181
	<hr/>		
TOTAL LIABILITIES AND FUND BALANCES	\$ 137,669	\$ 5,307	\$ 142,976
	<hr/> <hr/>		

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS
JUNE 30, 2007**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 137,181
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of capitalized assets is	\$ 885,120	
Accumulated depreciation is	<u>(296,645)</u>	
		588,475
Long-Term Liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Installment Purchase Agreement		(225,000)
Accrued interest payable is not included as a liability in governmental funds		(1,373)
		<hr/>
TOTAL NET ASSETS		<u><u>\$ 499,283</u></u>

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

	<u>Operating Fund</u>	<u>Gift and Memorial Fund</u>	<u>Total (Memorandum Only)</u>
REVENUE			
Local Sources			
Property Taxes	\$ 217,293	\$ -	\$ 217,293
Penal Fines	58,544	-	58,544
Service Fees	3,500	-	3,500
Interest	3,138	136	3,274
Contributions	5,646	33,043	38,689
Other	13,920	-	13,920
State Sources	5,212	-	5,212
Total Revenue	307,253	33,179	340,432
EXPENDITURES			
Salaries, Wages and Payroll Taxes	141,572	-	141,572
Employee Benefits	3,273	-	3,273
Office Supplies	16,390	-	16,390
Books	15,109	-	15,109
Periodicals and Newspapers	4,198	-	4,198
Audio/Visual and Non-Print Material	7,170	-	7,170
Dues	7,835	-	7,835
Programs	6,085	-	6,085
Travel and Conferences	1,023	-	1,023
Insurance	5,381	-	5,381
Utilities	8,745	-	8,745
Repairs and Maintenance	9,308	-	9,308
Advertising	1,689	-	1,689
Audit	3,416	-	3,416
Professional Fees	15,358	-	15,358
Computer Services	8,248	-	8,248
Miscellaneous	1,114	-	1,114
Debt Service			
Principal Retirement	25,000	-	25,000
Interest Charges	4,596	-	4,596
Capital Outlay	304,231	-	304,231
Total Expenditures	589,741	-	589,741
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(282,488)	33,179	(249,309)
OTHER SOURCES/(USES)			
Proceeds From Installment Purchase Agreement	250,000	-	250,000
Operating Transfers	34,068	(34,068)	-
Total Other Sources/(Uses)	284,068	(34,068)	250,000
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER SOURCES/(USES)	1,580	(889)	691
FUND BALANCE AT BEGINNING OF YEAR	130,294	6,196	136,490
FUND BALANCE AT END OF YEAR	\$ 131,874	\$ 5,307	\$ 137,181

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 691

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

	Depreciation Expense	\$ (35,306)	
	Capital Outlay	<u>304,231</u>	
			268,925

Governmental funds report purchase of books and materials as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

	Depreciation Expense	\$ (25,060)	
	Capital Outlay	<u>20,000</u>	
			(5,060)

Proceeds from the installment purchase agreement is an other financing source in the governmental funds, but not in the Statement of Activities (where it increases long-term debt) (250,000)

Repayment on the installment purchase agreement is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt) 25,000

Accrued interest payable is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid (1,373)

CHANGE IN NET ASSETS 38,183

NET ASSETS AT BEGINNING OF YEAR 461,100

NET ASSETS AT END OF YEAR \$ 499,283

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1: General Statement

The Saugatuck-Douglas District Library is a library created by the following governmental units – City of Saugatuck, the City of the Village of Douglas, and Saugatuck Township. In addition, through contractual arrangements, it also serves Laketown Township and Manlius Township. All of the above are located in Allegan County, Michigan.

The Library is governed by a library board consisting of six members, who are appointed by their respective municipalities, including a president, vice-president, secretary and treasurer.

NOTE 2: Summary of Significant Accounting Policies

The accounting policies of Saugatuck-Douglas 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 the Library.

Reporting Entity

The Saugatuck-Douglas District Library is the lowest level of government which has oversight responsibility and control over all activities of the library. The library receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined in NCGA Statement 3 since Library Board members have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the district's government-wide activities are considered governmental activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Library reports the following major governmental fund:

Operating Fund - The Operating Fund is used to account for all Library resources and expenditures except for those required to be accounted for in another fund.

The Library reports the following non-major governmental fund:

Gift and Memorial Fund - This fund is used to record contributions and support for the general operation of the Library.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash and investments include certificates of deposit. Investments are stated at fair value.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include land, leasehold improvements, buildings, equipment, and library materials are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 1 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. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

Leasehold Improvements, buildings, equipment, and books are depreciated using the straight-line method over the following useful lives:

Leasehold Improvements	20 years
Furniture and other equipment	5-20 years
Books and other materials	5-10 years
Building located at 147 Center Street	25 years

Fund Equity

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

Comparative Data/Reclassifications

Comparative data is not included in the Library's financial statements.

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the operating fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the library to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits libraries to amend their budgets during the year. There were no amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end. There were no encumbrances as of June 30, 2007.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures Over Appropriations in Budgeted Funds

The Library had expenditures in excess of budget as disclosed in Note 7.

Fund Deficits

The Library has no accumulated fund balance deficits at June 30, 2007.

NOTE 4: DONATED MATERIALS AND SERVICES

Donated materials and equipment are reflected, if material, as contributions in the accompanying statements at their estimated values at the date of receipt. No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services.

NOTE 5: INVESTMENTS

At June 30, 2007 the \$ 57,214 of investments on the balance sheet is represented by certificates of deposit, which are covered by federal depository insurance. The carrying value of the investments approximates the market value at the balance sheet date.

Certificates of deposit at financial institutions amounted to \$ 57,214 on June 30, 2007 as follows:

<u>Bank</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Value</u>
Chemical Bank Shoreline	07/22/2007	3.78%	\$ 5,387
Chemical Bank Shoreline	07/26/2008	5.13%	5,667
Macatawa Bank	10/07/2007	5.22%	25,330
Macatawa Bank	06/15/2008	3.44%	<u>20,830</u>
Total			<u>\$ 57,214</u>

NOTE 6: LEASE OF FACILITIES

The Library leases its facilities from the City of the Village of Douglas for a nominal fee. The lease is dated November 2, 1992 and runs until November 2, 2012. The lease is paid through November 2, 2012.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7: EXPENDITURES IN EXCESS OF BUDGET

Uniform Accounting and Budgeting Act, P.A. 2 of 1968, as amended, requires that expenditures shall not be in excess of the amount budgeted.

During the year ended June 30, 2007, the Library incurred expenditures in excess of budget as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Funds –			
Programs	\$ 4,300	\$ 6,085	\$ 1,785
Office Supplies	16,263	16,390	127
Repairs and Maintenance	9,000	9,308	308
Advertising	1,675	1,689	14
Capital Outlay	16,800	304,231	287,431

NOTE 8: CAPITAL ASSETS

Capital Asset activity of the Library's governmental activities was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2007</u>
Assets not being depreciated				
Property-Land	\$ 10,000	\$ 170,000	\$ -	\$ 180,000
Artwork	12,022	5,325	-	17,347
Subtotal	<u>22,022</u>	<u>175,325</u>	<u>-</u>	<u>197,347</u>
Capital assets being depreciated:				
Property-Building	-	84,782	-	84,782
Leasehold Improvements	204,131	13,182	-	217,313
Furniture and fixtures	82,475	30,422	-	112,897
Equipment	49,761	520	-	50,281
Books and materials	202,500	20,000	-	222,500
Subtotal	<u>538,867</u>	<u>148,906</u>	<u>-</u>	<u>687,773</u>
Accumulated depreciation:				
Property-Building	-	3,391	-	3,391
Leasehold Improvements	68,427	10,642	-	79,069
Furniture and fixtures	42,164	12,593	-	54,757
Equipment	32,948	8,680	-	41,628
Books and materials	92,740	25,060	-	117,800
Subtotal	<u>236,279</u>	<u>60,366</u>	<u>-</u>	<u>296,645</u>
Net capital assets being depreciated	<u>302,588</u>	<u>88,540</u>	<u>-</u>	<u>391,128</u>
Net capital assets	<u>\$ 324,610</u>	<u>\$ 263,865</u>	<u>\$ -</u>	<u>\$ 588,475</u>

Depreciation expense was not charged to activities as the Library considers its assets to impact multiple activities and allocation is not practical.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 9: LONG-TERM DEBT

During the fiscal year ended June 30, 2007, an installment purchase agreement with Macatawa Bank was issued secured by the full faith and credit of the Library. The agreement requires annual payments of \$25,000 plus interest payable at 4.95%. The note is due May 15, 2016.

Annual debt service requirements to maturity for the above obligation is as follows:

	Governmental Activities		
	Principal	Interest	Total
2008	\$ 25,000	\$ 11,137	\$ 36,137
2009	25,000	9,900	34,900
2010	25,000	8,663	33,663
2011	25,000	7,425	32,425
2012	25,000	6,188	31,188
2013-2016	100,000	12,375	112,375
Thereafter	-	-	-
Total	\$ 225,000	\$ 55,688	\$ 280,688

Funding to pay for the above principal and interest will be derived from a millage increase of .1 mills which was approved in November, 2006 by voters in Saugatuck Township, the City of the Village of Douglas, and the City of Saugatuck.

REQUIRED SUPPLEMENTAL INFORMATION

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUE				
Local Sources				
Property Taxes	\$ 215,425	\$ 215,425	\$ 217,293	\$ 1,868
Penal Fines	46,000	46,000	58,544	12,544
Service Fees	3,500	3,500	3,500	-
Interest	1,000	1,000	3,274	2,274
Contributions	10,000	10,000	38,689	28,689
Other	21,000	21,000	13,920	(7,080)
State Sources	4,000	4,000	5,212	1,212
Total Revenue	300,925	300,925	340,432	39,507
EXPENDITURES				
Salaries, Wages and Payroll Taxes	151,700	151,700	141,572	(10,128)
Employee Benefits	3,600	3,600	3,273	(327)
Office Supplies	16,263	16,263	16,390	127
Books	20,700	20,700	15,109	(5,591)
Periodicals and Newspapers	4,300	4,300	4,198	(102)
Audio/Visual and Non-Print Material	7,500	7,500	7,170	(330)
Dues	7,850	7,850	7,835	(15)
Programs	4,300	4,300	6,085	1,785
Travel and Conferences	1,050	1,050	1,023	(27)
Insurance	5,400	5,400	5,381	(19)
Utilities	9,000	9,000	8,745	(255)
Repairs and Maintenance	9,000	9,000	9,308	308
Advertising	1,675	1,675	1,689	14
Audit	3,500	3,500	3,416	(84)
Professional Fees	16,218	16,218	15,358	(860)
Computer Services	9,000	9,000	8,248	(752)
Miscellaneous	1,125	1,125	1,114	(11)
Debt Service				-
Principal Retirement	25,000	25,000	25,000	-
Interest Charges	4,744	4,744	4,596	(148)
Capital Outlay	16,800	16,800	304,231	287,431
Total Expenditures	318,725	318,725	589,741	271,016
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,800)	(17,800)	(249,309)	(231,509)
OTHER SOURCES/(USES)				
Proceeds From Installment Purchase Agreement	-	-	250,000	250,000
Operating Transfers	-	-	-	-
Total Other Sources/(Uses)	-	-	250,000	250,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES/(USES)	\$ (17,800)	\$ (17,800)	\$ 691	\$ 18,491

DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

November 19, 2007

Board of Directors
Saugatuck-Douglas District Library

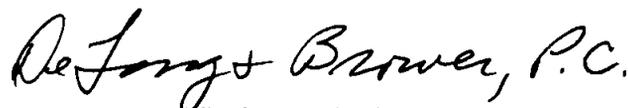
In connection with our audit of the books and records of the Saugatuck-Douglas District Library at June 30, 2007, we wish to make the following comments and recommendations:

1. During the fiscal year ended June 30, 2007 there were expenditures in excess of the amount budgeted for various accounts. To comply with PA 2 of 1968 Uniform Accounting and Budgeting Act, we recommend budget figures be reviewed periodically and amended as needed to adjust for changes during the year.
2. In accordance with PA 2 of 1968 Uniform Chart of Accounts for Counties and Local Units of Government in Michigan, all governmental units must use the chart of accounts as prescribed by the State of Michigan. We noted that during the year ended June 30, 2007 the required chart of accounts was not used. We recommend management investigate and implement the appropriate chart of accounts.
3. After the start of our audit fieldwork it came to our attention that checks had been back-dated in an effort to place them in the proper fiscal year. We suggest that all accounts payable be accounted for using the accounts payable function in QuickBooks.
4. During our audit work it became apparent that donor gift receipts could not be readily traced to a specific deposit. We suggest that a greater effort be made to label all contributions received by donor name in the contribution revenue account.

We have once again appreciated the opportunity to work with individuals who are committed to Saugatuck-Douglas District Library and its patrons. The majority of the recommendations made in our last management letter have been successfully implemented.

Respectively submitted,

DELONG & BROWER, P.C.


Certified Public Accountants