

**LINCOLN TOWNSHIP PUBLIC LIBRARY**

**STEVENSVILLE, MICHIGAN**

**FINANCIAL STATEMENTS**

**Year ended March 31, 2009**

LINCOLN TOWNSHIP PUBLIC LIBRARY

STEVENSVILLE, MICHIGAN

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FINANCIAL STATEMENTS

Year ended March 31, 2009

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LINCOLN TOWNSHIP PUBLIC LIBRARY  
STEVENSVILLE, MICHIGAN

BOARD OF TRUSTEES

David H. Bailey	-	President
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SCARPONE & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

May 7, 2009

Members of the Board of Trustees  
Lincoln Township Public Library  
Stevensville, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major governmental funds of Lincoln Township Public Library as of and for the year ended March 31, 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lincoln Township Public Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Lincoln Township Public Library as of March 31, 2009, and the respective 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 the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is 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.

*Scarpone & Co., P.C.*

**LINCOLN TOWNSHIP PUBLIC LIBRARY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

March 31, 2009

Lincoln Township Public Library's Management's Discussion and Analysis is intended to assist the reader in focusing on significant Library financial issues, provide an overview of the financial activities of the Library for the year ended March 31, 2009, and changes in its financial position, identify any material deviations from the approved budget, and identify individual fund issues or concerns. Since Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and known facts, readers are encouraged to consider the information presented in conjunction with the Library's basic financial statements, which will follow this section.

**Using this Report**

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

**Fund level financial statements** - The first three columns of the financial statements includes information about the Library's various funds reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Further, in the fund level financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. Additionally, the issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are reported as expenditures. Future year's debt obligations are not recorded.

The following funds are used in accounting for the financial operations of the Library:

**General Fund** - The General Fund accounts for all revenues and expenditures of the Library not required to be accounted for in other funds.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Endowment Fund** - The Endowment Fund accounts for the revenues and expenditures related to endowment activities of the Library.

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

**Government-Wide financial statements** - The last column of the financial statements includes information about the Library reported on a full accrual basis. These statements report all of the Library's assets and liabilities, both short-term and long-term, regardless if they are "currently available" or not. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole, and therefore, present a longer-term view of the Library's financial status. These financial statements report how Library services were financed in the short-term as well as what remains for future spending.

**LINCOLN TOWNSHIP PUBLIC LIBRARY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

March 31, 2009

Additionally, the financial statements include "notes to basic financial statements" that further explain some of the information contained in the financial statements and provide more detailed information and disclosure. The basic financial statements are followed by a section of required supplementary information that further explains and supports the information presented in the basic financial statements.

Condensed Financial Information

The table below compares certain financial information in a condensed format for the years ended March 31, 2009 and 2008, respectively:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 631,495	\$ 871,309
Investments	839,844	740,307
Beneficial interest in assets held by others	64,548	88,669
Taxes receivable	270,820	41,193
Accounts receivable	4,253	1,192
Interest receivable	4,000	5,571
Capital assets	<u>2,443,687</u>	<u>2,531,112</u>
<b>Total assets</b>	<b>4,258,647</b>	<b>4,279,353</b>
<b>Current liabilities</b>	<b><u>1,675,126</u></b>	<b><u>1,912,563</u></b>
<b>Net assets:</b>		
Invested in capital assets	832,515	682,815
Endowment Fund	64,548	88,669
Unrestricted	<u>1,686,458</u>	<u>1,595,306</u>
<b>Total net assets</b>	<b>\$ <u>2,583,521</u></b>	<b>\$ <u>2,366,790</u></b>
<b>Revenues:</b>		
Property taxes	\$ 942,022	\$ 924,357
State source revenues	18,790	16,779
Penal fines	198,192	192,571
Contract services fees	85,104	78,336
Charges for services	20,869	18,217
Interest and dividends	28,748	46,440
Other	<u>9,935</u>	<u>17,059</u>
<b>Total revenues</b>	<b>1,303,660</b>	<b>1,293,759</b>
<b>Expenditures</b>	<b><u>1,086,929</u></b>	<b><u>1,092,068</u></b>
<b>Change in net assets</b>	<b>\$ <u>216,731</u></b>	<b>\$ <u>201,691</u></b>

**LINCOLN TOWNSHIP PUBLIC LIBRARY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**March 31, 2009**

**Overall Financial Position**

The Library's primary source of revenue is from property taxes and penal fines. For the year ended March 31, 2009, total tax collections were \$942,022 and total penal fines remitted totaled \$198,192, representing 72% and 15% of total revenues, respectively.

Salaries, related payroll taxes and fringe benefits are the largest overall expenditures of the Library. For the year ended March 31, 2009, these expenditures totaled \$580,094 representing 51% of the Library's total expenditures (60% of General Fund expenditures).

Library materials, which include books, audio books, videos and periodicals, were the second largest overall expenditures of the Library. These expenditures totaled \$96,873 representing approximately 9% of the Library's total expenditures (10% of General Fund expenditures).

**Library Budget Highlights**

There were two budgetary amendments made during the year ended March 31, 2009.

**Contacting the Library's Financial Management**

This financial report is intended to provide our citizens and taxpayers with a general overview of the Library's finances. If you have any questions about this report or need additional information, please contact Lincoln Township Public Library for assistance.

LINCOLN TOWNSHIP PUBLIC LIBRARY  
GOVERNMENTAL FUNDS BALANCE SHEET  
AND  
STATEMENT OF NET ASSETS  
March 31, 2009

	<u>General Fund</u>	<u>Debt Service</u>	<u>Endowment Fund</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 245,724	\$ 385,771	\$ -
Investments	839,844	-	-
Beneficial interest in assets held by others	-	-	64,548
Taxes receivable	258,538	12,282	-
Accounts receivable	4,253	-	-
Interest receivable	4,000	-	-
Capital assets	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ <u>1,352,359</u></b>	<b>\$ <u>398,053</u></b>	<b>\$ <u>64,548</u></b>
<b><u>LIABILITIES</u></b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 38,402	\$ -	\$ -
Accrued payroll and employee benefits	25,552	-	-
Accrued interest	-	-	-
Installment contract payable	-	-	-
Bonds payable	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>63,954</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b><u>FUND BALANCES/NET ASSETS</u></b>			
<b>FUND BALANCES:</b>			
Reserved	964,941	398,053	64,548
Undesignated	<u>323,464</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<b><u>1,288,405</u></b>	<b><u>398,053</u></b>	<b><u>64,548</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ <u>1,352,359</u></b>	<b>\$ <u>398,053</u></b>	<b>\$ <u>64,548</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets			
Endowment Fund			
Unrestricted			
<b>TOTAL NET ASSETS</b>			

See accompanying notes to basic financial statements.

<u>Total</u>	<u>Adjustments (Note J)</u>	<u>Statement of Net Assets</u>
\$ 631,495	\$ -	\$ 631,495
839,844	-	839,844
64,548	-	64,548
270,820	-	270,820
4,253	-	4,253
4,000	-	4,000
-	<u>2,443,687</u>	<u>2,443,687</u>
<u>\$ 1,814,960</u>	<u>\$ 2,443,687</u>	<u>\$ 4,258,647</u>

\$ 38,402	\$ -	\$ 38,402
25,552	-	25,552
-	27,505	27,505
-	33,667	33,667
-	<u>1,550,000</u>	<u>1,550,000</u>
<u>63,954</u>	<u>1,611,172</u>	<u>1,675,126</u>

1,427,542	(1,427,542)
323,464	<u>(323,464)</u>
<u>1,751,006</u>	<u>(1,751,006)</u>

\$ 1,814,960

832,515  
64,548  
1,686,458

\$ 2,583,521

**LINCOLN TOWNSHIP PUBLIC LIBRARY**  
**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES**

Year ended March 31, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Endowment Fund</u>
<b>REVENUES:</b>			
Property taxes	\$ 678,594	\$ 263,428	\$ -
State source revenues	18,790	-	-
County penal fines	198,192	-	-
Contract services fees	85,104	-	-
Copier charges	5,554	-	-
Book fines	15,315	-	-
Interest and dividends	23,396	2,120	3,232
Specific use donations	10,610	-	-
Realized/unrealized investment gains (losses)	-	-	(29,263)
Donated assets	-	-	-
Other revenues	23,688	-	2,700
<b>TOTAL REVENUES</b>	<u>1,059,243</u>	<u>265,548</u>	<u>(23,331)</u>
<b>EXPENDITURES:</b>			
Salaries and wages	497,526	-	-
Payroll taxes and employee benefits	82,568	-	-
Utilities	45,709	-	-
Supplies and postage	26,045	-	-
Repairs and maintenance	48,758	-	-
Insurance	13,882	-	-
Professional services	15,246	-	-
Dues and subscriptions	3,325	-	-
Workshops and travel	6,693	-	-
Advertising and publicity	8,768	-	-
Library materials	96,873	-	-
Public copier expenses	2,708	-	-
Capital outlay	55,468	-	-
Automation - maintenance	41,002	-	-
Internet expenses	3,572	-	-
Specific use expenses	10,510	-	-
Depreciation	-	-	-
Bond principal payments	-	200,000	-
Interest	-	70,163	-
Bond fees	-	600	-
Programming	1,430	-	790
Miscellaneous	2,793	-	-
<b>TOTAL EXPENDITURES</b>	<u>962,876</u>	<u>270,763</u>	<u>790</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES/CHANGE IN NET ASSETS</b>	96,367	(5,215)	(24,121)
<b>FUND BALANCE/NET ASSETS, BEGINNING OF YEAR</b>	<u>1,192,038</u>	<u>403,268</u>	<u>88,669</u>
<b>FUND BALANCE/NET ASSETS, END OF YEAR</b>	<u>\$ 1,288,405</u>	<u>\$ 398,053</u>	<u>\$ 64,548</u>

See accompanying notes to basic financial statements.

<u>Total</u>	<u>Adjustments (Note J)</u>	<u>Statement of Activities</u>
\$ 942,022	\$ -	\$ 942,022
18,790	-	18,790
198,192	-	198,192
85,104	-	85,104
5,554	-	5,554
15,315	-	15,315
28,748	-	28,748
10,610	-	10,610
(29,263)	-	(29,263)
-	2,200	2,200
26,388	-	26,388
<u>1,301,460</u>	<u>2,200</u>	<u>1,303,660</u>
497,526	-	497,526
82,568	-	82,568
45,709	-	45,709
26,045	-	26,045
48,758	-	48,758
13,882	-	13,882
15,246	-	15,246
3,325	-	3,325
6,693	-	6,693
8,768	-	8,768
96,873	-	96,873
2,708	-	2,708
55,468	(49,577)	5,891
41,002	-	41,002
3,572	-	3,572
10,510	-	10,510
-	105,535	105,535
200,000	(200,000)	-
70,163	(3,458)	66,705
600	-	600
2,220	-	2,220
2,793	-	2,793
<u>1,234,429</u>	<u>(147,500)</u>	<u>1,086,929</u>
67,031	149,700	216,731
<u>1,683,975</u>	<u>682,815</u>	<u>2,366,790</u>
\$ <u>1,751,006</u>	\$ <u>832,515</u>	\$ <u>2,583,521</u>

**LINCOLN TOWNSHIP PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year ended March 31, 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of Lincoln Township Public Library ("Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant policies adopted by the Library are as follows:

**REPORTING ENTITY:**

Lincoln Township Public Library is located in Stevensville, Michigan and provides library services to residents in Lincoln, Royalton and Baroda Townships, and the Villages of Baroda and Stevensville. The Library was established pursuant to MCLA 397.210 as an authority. The Library is a separate legal entity, however the Library cannot issue debt nor levy taxes without Township approval. It is operated as a free cooperative public library, and is governed by a six member board elected by the citizens of Lincoln Township.

**BASIS OF PRESENTATION:**

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) and Fund Financial Statements. The government-wide and fund financial statements are combined, with a reconciliation shown between them.

The accounts of the Library are organized into funds, each of which is considered to be a separate accounting entity. The following funds are used in accounting for the financial operations of the Library:

**General Fund - The General Fund accounts for all revenues and expenditures of the Library not required to be accounted for in other funds.**

**Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.**

**Endowment Fund - The Endowment Fund accounts for the revenues and expenditures related to endowment activities of the Library.**

The General Fund is budgeted and accounted for using the current financial resources measurement and the modified accrual basis of accounting. Revenue is recognized 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 period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**LINCOLN TOWNSHIP PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
**Year ended March 31, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

**BUDGETS AND BUDGETARY ACCOUNTING:**

The Library Board of Trustees adopts an annual operating budget using the basis of accounting described above. Any budget revisions must be approved by the Library Board of Trustees. The Library adopted two budget revisions during the year.

**ESTIMATES:**

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**COMPENSATING ABSENCES:**

The Library's personnel policies permit the accumulation and carry forward of sick days. Full-time employees are allowed ten days in any one year while part-time employees can earn a maximum of 80 hours per year. Sick leave will accumulate from year to year to a maximum of thirty days for full-time employees and a maximum of 240 hours for part-time employees. Sick leave compensation available for employee carry forward at March 31, 2009 is estimated to approximate \$37,902.

In the year ended March 31, 2009, the Library amended the portion of the vacation policy pertaining to unused vacation time. Previously, employees were required to use up all vacation time by March 31 of each year. The amended policy states that employees have until their anniversary date of each year to use up their vacation time. Any vacation time not used by the employee's anniversary date will be lost. Vacation time compensation available at March 31, 2009 is estimated to approximate \$16,192.

The Library's policies do not allow for termination payments related to any unused sick leave or unused vacation time and accordingly, no accrual has been recorded by the Library at March 31, 2009 with respect to such compensated absences.

**TAX INFORMATION:**

Property tax revenues are recognized based on the date of tax levy (December 1).

**CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents are recorded at cost and include cash investments with original maturities of three months or less.

LINCOLN TOWNSHIP PUBLIC LIBRARY  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
Year ended March 31, 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

**CAPITAL ASSETS:**

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

**Government-Wide Statements:**

In the government-wide financial statements capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Building	50
General furnishings & equipment	10 - 20
Computers & related equipment	5

Library materials were determined to have generally exceeded their estimated useful lives and therefore are fully depreciated. Such assets are not reflected in the statement of net assets.

The minimum capitalization threshold is any item with a total cost greater than \$1,000.

**Fund Financial Statements:**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**INVESTMENTS:**

Investments are recorded at cost. The type of investments authorized by the Board of Trustees are as follows:

- a. Bonds, securities, and other obligations of the United States, the principal and interest of which are fully guaranteed by the United States,
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of banks, savings and loan associations or credit unions which are federally insured.

**LINCOLN TOWNSHIP PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended March 31, 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED:**

**INVESTMENTS; CONCLUDED**

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and maturing no more than 270 days after the date of purchase.
- d. United States Government federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.

**NOTE B - CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents consisted of the following at March 31, 2009:

Petty cash	\$	190
Funds held by Lincoln Charter Township		385,771
Deposits in financial institutions		<u>245,534</u>
	\$	<u>631,495</u>

The above deposits in financial institutions of \$245,534 were reflected in the accounts of the Library's financial institutions (without recognition of checks written but not yet cleared, or of deposits in transit) at \$269,564. All such funds were covered by federal depository insurance.

**NOTE C - INVESTMENTS:**

Investments at March 31, 2009 consisted of certificates of deposit in financial institutions of \$839,844.

Of the above certificates of deposits in financial institutions of \$839,844 approximately \$789,844 was covered by federal depository insurance and \$50,000 was uninsured and uncollateralized.

**NOTE D - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:**

During the year ended March 31, 2004, Lincoln Township Public Library transferred certain funds to the Berrien Community Foundation in order to establish the Lincoln Township Public Library Endowment Fund.

The Agency Fund portion of the Endowment Fund represents the original assets transferred to establish the Fund and any subsequent donations received directly by the Library and forwarded to the Foundation. These amounts are reported as an asset on the Library's books at fair market value at March 31, 2009.

**LINCOLN TOWNSHIP PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended March 31, 2009

**NOTE D - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS-CONCLUDED:**

A summary of the activity in the Agency Fund portion of the Endowment Fund for the year ended March 31, 2009 is as follows:

Balance at March 31, 2008	\$	88,669
Donations received by the Library		2,700
Interest and dividends		3,232
Realized investment gains (losses)		(225)
Unrealized investment gains (losses)		(29,038)
Administrative fees		(790)
	\$	<u>64,548</u>

Donations received directly by the Berrien Community Foundation that are earmarked for the Lincoln Township Public Library Endowment Fund are reported as an asset on the Foundation's books. The present value of the estimated expected future cash flows from this Fund are required to be reported as an asset of the Library. The fair market value of this portion of the Fund at March 31, 2009 approximated \$2,869. Accordingly, the fair market value of future earnings from this Fund is insignificant and no related asset has been recorded by the Library at March 31, 2009.

The Library has access to the income from both portions of the Fund, subject to the Foundation's spending policy as follows:

The annual payout factor for all endowment funds will be determined annually by the Investment Committee and applied to the weighted average market value for the last three years as of December 31, of each year. The earliest market value will be given a 25 percent weighting, the middle market value a 35 percent weighting and the latest a 40 percent weighting.

**LINCOLN TOWNSHIP PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended March 31, 2009

**NOTE E - CAPITAL ASSETS:**

Capital asset activity of the Library for the year ended March 31, 2009 was as follows:

	Balance March 31, <u>2008</u>	<u>Additions</u>	<u>Dispositions</u>	Balance March 31, <u>2009</u>
<b>Capital assets being depreciated:</b>				
Building	\$ 3,042,870	\$ -	\$ -	\$ 3,042,870
General furnishings and equipment	400,451	3,555	1,000	403,006
Computers and related equipment	217,478	14,555	2,681	<u>229,352</u>
	<u>3,660,799</u>	<u>18,110</u>	<u>3,681</u>	<u>3,675,228</u>
<b>Accumulated depreciation:</b>				
Building	865,339	60,857	-	926,196
General furnishings and equipment	185,046	22,123	1,000	206,169
Computers and related equipment	79,302	22,555	2,681	<u>99,176</u>
	<u>1,129,687</u>	<u>105,535</u>	<u>3,681</u>	<u>1,231,541</u>
<b>Net capital assets</b>	<b>\$ <u>2,531,112</u></b>	<b>\$ <u>(87,425)</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>2,443,687</u></b>

**NOTE F - RESERVED FUND BALANCE:**

Reserved fund balance of the General Fund consisted of the following at March 31, 2009:

Reserved for Library operations for fiscal year ending March 31, 2010	\$ 656,037
Reserved for capital expenditures	128,034
Reserved for contingencies	177,722
Reserved for One Book, One Community Project	<u>3,148</u>
	<u>\$ 964,941</u>

**NOTE G - RISK MANAGEMENT:**

The Library maintains commercial insurance to insure potential significant losses. There have been no significant changes in insurance coverage for the year ended March 31, 2009.

**LINCOLN TOWNSHIP PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended March 31, 2009

**NOTE H - LONG-TERM DEBT:**

General long-term debt consisted of the following at March 31, 2009:

4.15% - 4.3% Unlimited Tax General Obligation Library Bonds,  
with annual principal payments of \$200,000 to \$325,000 and  
semi-annual interest payments, final maturity May, 2014 \$ 1,550,000

Annual debt service requirements for general obligation bonds are as follows:

<u>Year Ending</u> <u>March 31,</u>	<u>Principal</u> <u>May 1</u>	<u>Interest Requirements</u>		<u>Total</u> <u>Interest</u>	<u>Total</u> <u>Requirement</u>
		<u>May 1</u>	<u>November 1</u>		
2010	\$ 200,000	\$ 33,006	\$ 28,806	\$ 61,812	\$ 261,812
2011	225,000	28,806	23,969	52,775	277,775
2012	250,000	23,969	18,594	42,563	292,563
2013	250,000	18,594	13,281	31,875	281,875
2014	300,000	13,281	6,906	20,187	320,187
2015	325,000	6,906	-	6,906	331,906
	<u>\$ 1,550,000</u>	<u>\$ 124,562</u>	<u>\$ 91,556</u>	<u>\$ 216,118</u>	<u>\$ 1,766,118</u>

The following is a summary of the changes in general long-term debt for the year ended March 31, 2009:

	<u>Balance</u> <u>March 31,</u> <u>2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31,</u> <u>2009</u>
Bonds payable	\$ <u>1,750,000</u>	\$ -	\$ <u>200,000</u>	\$ <u>1,550,000</u>

Installment contract payable consisted on the following at March 31, 2009:

Installment contract payable to Innovative Interfaces, Inc. with annual  
payments of \$33,667, with final maturity on March 31, 2010, no interest  
due on contract until final installment at 6% \$ 33,667

Annual requirements for contract payable are as follows:

	<u>Year Ending</u> <u>March 31,</u>	<u>Principal</u> <u>March 31</u>	<u>Interest</u> <u>March 31</u>	<u>Total</u> <u>Requirements</u>
Contract payable	2010	\$ <u>33,667</u>	\$ <u>2,020</u>	\$ <u>35,687</u>

**LINCOLN TOWNSHIP PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended March 31, 2009

**NOTE H - LONG-TERM DEBT-CONCLUDED:**

The following is a summary of the changes in contract payable for the year ended March 31, 2009:

	Balance March 31, <u>2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance March 31, <u>2009</u>
Contract Payable	\$ 67,334	\$ -	\$ 33,667	\$ <u>33,667</u>

**NOTE I - EMPLOYEE BENEFIT PLAN:**

The Library participates in a defined contribution retirement plan as a part of the Michigan Township's Association Master Compensation Plan. Employees must have completed one year of service, have at least five hundred hours of compensated service during the prior year, and be at least twenty-one years of age to participate in the plan. The Library contributes 5% of eligible employee's wages to the Plan. Library expenditures in connection with the plan amounted to \$22,008 for the year ended March 31, 2009.

**NOTE J - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

Total fund balances and the net change in fund balances of the Library could differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. The difference primarily may result from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental 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 Balances - modified accrual basis	\$ 1,751,006
Amounts reported in the Statement of Net Assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	2,443,687
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	(27,505)
Installment contract payment liabilities are not due and payable in the current period and are not reported in the funds	(33,667)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(1,550,000)</u>
Net Assets (All Funds) - full accrual basis	\$ <u>2,583,521</u>

**LINCOLN TOWNSHIP PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONCLUDED**  
Year ended March 31, 2009

**NOTE J - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS-CONCLUDED;**

Net Changes in Fund Balances - modified accrual basis \$ 67,031

Amounts reported in the Statement of Activities are different because:

Capital outlays are reported as expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balance; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	15,910
Depreciation	(105,535)

The disposal of capital assets is recorded on the Statement of Activities, but not in the fund statements:

Revenues from donated capital assets as an increase in Statement of Activities, but not in the fund statements	2,200
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Decrease in accrued interest reported as a decrease is an expenditure in the Statement of Activities, but not in the fund statements	3,458
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Repayments of installment contract principal are reported as an expenditure in the fund statements; in the Statement of Activities these payments reduce long-term debt	33,667
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Repayments of bond principal are reported as an expenditure in the fund statements; in the Statement of Activities these payments reduce long-term debt	<u>200,000</u>
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Change in Net Assets (All Funds) - full accrual basis	\$ <u>216,731</u>
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**REQUIRED SUPPLEMENTARY INFORMATION**

**LINCOLN TOWNSHIP PUBLIC LIBRARY**  
**STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

Year ended March 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 649,421	\$ 648,488	\$ 678,594	\$ 30,106
State source revenues	19,726	18,765	18,790	25
County penal fines	190,000	198,192	198,192	-
Contract services fees	85,104	85,104	85,104	-
Copier charges	4,000	5,553	5,554	1
Book fines	10,000	15,314	15,315	1
Interest	11,000	24,966	23,396	(1,570)
Specific use donations	4,400	10,510	10,610	100
Other revenues	11,671	27,994	23,688	(4,306)
<b>TOTAL REVENUES</b>	<b>985,322</b>	<b>1,034,886</b>	<b>1,059,243</b>	<b>24,357</b>
<b>EXPENDITURES:</b>				
Salaries and wages	529,880	507,075	497,526	9,549
Payroll taxes and employee benefits	82,930	80,923	82,568	(1,645)
Utilities	50,250	45,205	45,709	(504)
Supplies and postage	28,895	26,192	26,045	147
Repairs and maintenance	51,800	48,729	48,758	(29)
Insurance	18,000	13,882	13,882	-
Professional services	18,825	15,401	15,246	155
Dues and subscriptions	2,300	3,325	3,325	-
Workshops and travel	4,500	6,954	6,693	261
Advertising and publicity	8,700	8,770	8,768	2
Library materials	106,575	96,902	96,873	29
Public copier expenses	3,200	2,708	2,708	-
Capital outlay	16,000	54,003	55,468	(1,465)
Automation - maintenance	48,687	40,475	41,002	(527)
Internet expenses	4,500	3,574	3,572	2
Specific use expenses	5,500	10,510	10,510	-
Programming	2,200	1,203	1,430	(227)
Miscellaneous	2,580	2,703	2,793	(90)
<b>TOTAL EXPENDITURES</b>	<b>985,322</b>	<b>968,534</b>	<b>962,876</b>	<b>5,658</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>66,352</b>	<b>96,367</b>	<b>30,015</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>1,192,038</b>	<b>1,192,038</b>	<b>1,192,038</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,192,038</b>	<b>\$ 1,258,390</b>	<b>\$ 1,288,405</b>	<b>\$ 30,015</b>

See auditor's report and accompanying notes to basic financial statements.



**SCARPONE & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

May 7, 2009

Members of the Board of Trustees  
Lincoln Township Public Library  
Stevensville, Michigan

We have audited the financial statements of Lincoln Township Public Library for the year ended March 31, 2009, and have issued our report thereon dated May 7, 2009. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Lincoln Township Public Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Lincoln Township Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts. However, the objective of our tests was not to provide an opinion of compliance with such provisions.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you per our engagement letter.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lincoln Township Public Library are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Lincoln Township Public Library during the year for which there is lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factor assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Corrected and Uncorrected Misstatements**

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

### **Disagreements with Management**

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

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 7, 2009.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Lincoln Township Public Library's auditors. However, these discussions occurred in the normal course of our professional relationship and none of the matters discussed resulted in a condition of our retention as auditors.

Difficulties Encountered in Performing the Audit

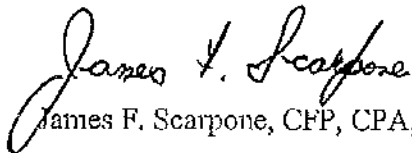
We encountered no difficulties in dealing with management in performing and completing our audit.

This letter is intended for the use of the Members of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to you. As always, should you have any questions, please don't hesitate to contact us.

Sincerely,

SCARPONE & CO., P.C.

Handwritten signature of James F. Scarpone in cursive script.

James F. Scarpone, CFP, CPA, CVA



SCARPONE & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

May 7, 2009

Members of the Board of Trustees  
Lincoln Township Public Library  
Stevensville, Michigan

In planning and performing our audit of the financial statements of Lincoln Township Public Library as of and for the year ended March 31, 2009, 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 first 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 Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

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 Library's internal control.

#### **COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROL**

Our procedures disclosed the following conditions that we would like to bring to your attention:

##### **Control Deficiency - Computer Screens not Password Protected:**

During the audit it was noted that the computer screens for the business office personnel did go to screen saver mode when left unattended, but no password was needed to return the screen to active mode.

**Recommendation:**

The computer screens for each of the business office personnel should be set so that a password is needed to return the screen to active mode.

**Control Deficiency - Lack of restricted access to accounting software:**

Presently, the individual that prepares the monthly bank reconciliation has unrestricted access to the accounting software while preparing the bank reconciliations. The Library's current accounting software is not capable of limiting access to read only access.

**Recommendation:**

The Library will be changing to a new accounting software package during the 2009-2010 fiscal year. If possible, the new software should be setup so that only the bookkeeper has the ability to enter items into the general ledger. The individual preparing the monthly bank reconciliations, should have read only access. If the software does not have the capabilities for assigning various levels of access, the bank reconciliations should be manually prepared using reports printed directly from the accounting software.

**Preparation of Financial Statements in Accordance with GAAP**

Governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Library's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal books and records), and (2) reporting financial statements, including the related footnotes.

As is the case with entities of similar size, the Library has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Library's ability to prepare financial statements in accordance with GAAP is based in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Library's internal controls.

The cause for this condition is simply because it is more cost effective to outsource the preparation of the Library's annual financial statements to the independent auditors, rather than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Library's annual financial statements and notes to the financial statements in accordance with GAAP. Accordingly, the Library relies on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We do not recommend any changes to this situation at this time and we communicate this to you solely as required by professional standards.

SUMMARY

These conditions were considered in determining the nature, timing and extent of the audit procedures that were applied in our audit of the Library's financial statements and this communication to you of these matters does not affect our report on the Library's financial statements for the year ended March 31, 2009.

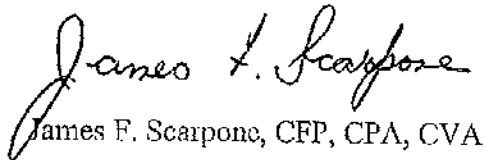
We welcome any questions regarding the foregoing comments and we would be happy to discuss these or any other questions that you may have at your convenience.

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

We appreciate and thank the Library's staff for their cooperation and assistance during this year's audit.

Sincerely,

SCARPONE & CO., P.C.

  
James F. Scarpone, CFP, CPA, CVA