

GALIEN TOWNSHIP PUBLIC LIBRARY

GALIEN, MICHIGAN

FINANCIAL STATEMENTS

Year ended March 31, 2007

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 GALIEN TOWNSHIP PUBLIC LIBRARY	County BERRIEN
Fiscal Year End MARCH 31, 2007	Opinion Date MAY 18, 2007	Date Audit Report Submitted to State AUGUST 13, 2007		

We affirm that:

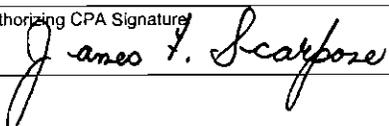
We are certified public accountants licensed to practice in Michigan.

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.)
- 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.
 - 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.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - 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.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - 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).
 - 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.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - 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 type="checkbox"/>	No significant weaknesses based on limited size of Library		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) SCARPONE & CO., P.C., CPA'S		Telephone Number 269-684-5100		
Street Address 20 N. SECOND ST., P.O. BOX 1146		City NILES	State MI	Zip 49120
Authorizing CPA Signature 	Printed Name JAMES F. SCARPONE		License Number 11507	

GALIEN TOWNSHIP PUBLIC LIBRARY

GALIEN, MICHIGAN

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**GALIEN TOWNSHIP PUBLIC LIBRARY
GALIEN, MICHIGAN**

BOARD OF TRUSTEES

Kay Longacre	-	President
Joyce Hickok	-	Vice-President
Corrinne Rock	-	Secretary
Linda Doyle	-	Treasurer
Alfred Gluth	-	Trustee
Paul Palmer	-	Trustee



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

May 18, 2007

**Members of the Board of Trustees
Galien Township Public Library
Galien, Michigan**

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of Galien Township Public Library as of and for the year ended March 31, 2007, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the management of Galien Township Public Library. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Governmental 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 from 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Galien Township Public Library as of March 31, 2007, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and 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.

GALIEN TOWNSHIP PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2007

Galien Township Public Library, located in Galien Township, Berrien County, Michigan, is reporting financial statements that meet the requirements of Governmental Accounting Standards Board Statement No. 34 (GASB 34). The two primary elements involved in meeting these requirements is the addition of a Management's Discussion and Analysis and the reporting of all capital assets and depreciation of such assets.

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 column of the financial statements includes information about the Library's General Fund 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.

Government-Wide financial statements - The third 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.

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. 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.

GALIEN TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

March 31, 2007

Condensed Financial Information

The table below presents key financial information in a condensed format for the year ended March 31, 2007.

	<u>(In thousands)</u>
Current assets	\$ 499.2
Capital assets	40.2
Total assets	539.4
Current liabilities	1.4
Net assets:	
Unrestricted	497.8
Invested in capital assets	40.2
Total net assets	\$ 538.0
Revenues:	
Property taxes	\$ 50.1
County penal fines	31.2
Other	22.1
	103.4
Expenditures - Library services	48.9
Change in net assets	\$ 54.5

GALIEN TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONCLUDED

March 31, 2007

Overall Financial Position

The Library's primary source of revenue is from property taxes and penal fines. For the year ended March 31, 2007, total tax collections were \$50,190 and total penal fines remitted totaled \$31,185, representing 48% and 30% 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, 2007, these expenditures totaled \$22,048, representing 45% of the Library's total expenditures.

Library materials, which includes books, audio books, videos and periodicals, were the second largest overall expenditures of the Library. These expenditures totaled \$8,387, representing approximately 17% of the Library's total expenditures.

The Library incurred \$2,717 in initial architectural and other fees for the year ended March 31, 2007 in connection with the building expansion project.

Library Budget Highlights

During the course of the fiscal year, the Library Board amended the budget to take into account events that occurred during the year. The Budget was amended to reflect anticipated expenditures in connection with the building expansion and for additional earnings from deposits in financial institutions.

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 the Galien Township Public Library for assistance.

GALIEN TOWNSHIP PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET
AND
STATEMENT OF NET ASSETS

March 31, 2007

	<u>General Fund Modified Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 319,634	\$ -	\$ 319,634
Investments	175,264	-	175,264
Taxes receivable	4,308	-	4,308
Capital assets	-	40,268	40,268
TOTAL ASSETS	\$ 499,206	\$ 40,268	\$ 539,474
 <u>LIABILITIES</u>			
LIABILITIES:			
Accounts payable	\$ 489	-	489
Payroll taxes payable	939	-	939
TOTAL LIABILITIES	1,428	-	1,428
 <u>FUND BALANCES / NET ASSETS</u>			
FUND BALANCES:			
Undesignated	497,778	(497,778)	-
TOTAL FUND BALANCES	497,778	(497,778)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 499,206		
 NET ASSETS:			
Invested in capital assets			40,268
Unrestricted			497,778
TOTAL NET ASSETS			\$ 538,046

See accompanying notes to basic financial statements.

GALIEN TOWNSHIP PUBLIC LIBRARY

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES**

Year ended March 31, 2007

	<u>General Fund Modified Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES:			
Property taxes	\$ 50,190	\$ -	\$ 50,190
State-shared revenue	2,427	-	2,427
County penal fines	31,185	-	31,185
Charges for services	1,014	-	1,014
Interest	15,720	-	15,720
Miscellaneous	132	-	132
Donations	2,810	-	2,810
TOTAL REVENUES	103,478	-	103,478
EXPENDITURES:			
Advertising	90	-	90
Payroll and related taxes	22,048	-	22,048
Utilities	4,295	-	4,295
Supplies	2,682	-	2,682
Repairs and maintenance	2,420	-	2,420
Insurance	2,209	-	2,209
Professional fees	4,174	-	4,174
Memberships	607	-	607
Library materials	8,387	-	8,387
Program expenses	923	-	923
Licenses and permits	125	-	125
Miscellaneous	32	-	32
Capital outlay	2,717	(2,717)	-
Depreciation	-	937	937
TOTAL EXPENDITURES	50,709	(1,780)	48,929
EXCESS OF REVENUES OVER EXPENDITURES / CHANGE IN NET ASSETS	52,769	1,780	54,549
FUND BALANCE / NET ASSETS, BEGINNING OF YEAR	445,009	38,488	483,497
FUND BALANCE / NET ASSETS, END OF YEAR	\$ 497,778	\$ 40,268	\$ 538,046

See accompanying notes to basic financial statements.

GALIEN TOWNSHIP PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Galien 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:

Galien Township Public Library is located in Galien, Michigan and provides library services to residents in Galien, Bertrand and Weesaw Townships. 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 Galien Township.

BASIS OF PRESENTATION:

Generally accepted accounting principles (GAAP) according to GASB 34 requires 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 Library has one fund, the General Fund, which is the Library's operating fund.

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.

COMPENSATING ABSENCES:

The Library's personnel policies do not permit the accumulation and carryforward of vacation and sick days. Accordingly, no accrual has been recorded by the Library at March 31, 2007 for compensated absences, since such amounts are not material.

TAX INFORMATION:

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

GALIEN TOWNSHIP PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED:

CASH AND CASH EQUIVALENTS:

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

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 \$250.

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.

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.

GALIEN TOWNSHIP PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended March 31, 2007

NOTE B - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following at March 31, 2007:

Petty cash	\$	26
Deposits in financial institutions		319,608
	\$	319,634

The above deposits in financial institutions of \$319,608 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 \$321,571. Of this amount, \$178,451 was covered by federal depository insurance coverage and \$143,120 was uninsured and uncollateralized.

NOTE C - INVESTMENTS:

Investments consist of certificates of deposit in financial institutions with an original maturity of greater than three months. The balance held at March 31, 2007 was \$175,264. Of that amount, \$60,941 was covered by federal depository insurance coverage and \$114,323 was uninsured and uncollateralized.

NOTE D- RISK MANAGEMENT:

The Library maintains commercial insurance to insure potential significant losses. There have been no significant reductions in insurance coverage by the Library for the year ended March 31, 2007.

GALIEN TOWNSHIP PUBLIC LIBRARY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

Year ended March 31, 2007

NOTE E - CAPITAL ASSETS:

Capital asset activity of the Library for the year ended March 31, 2007 was as follows:

	<u>Balance</u> <u>March 31,</u> <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31,</u> <u>2007</u>
Assets not being depreciated:				
Land	\$ 24,000	\$ -	\$ -	\$ 24,000
Construction in progress	-	2,717	-	2,717
	<u>24,000</u>	<u>2,717</u>	-	<u>26,717</u>
Capital assets being depreciated:				
Building	43,410	-	-	43,410
General furnishings & equipment	15,813	-	-	15,813
Computers & related equipment	12,270	-	-	12,270
	<u>71,493</u>	-	-	<u>71,493</u>
Accumulated depreciation:				
Building	38,094	135	-	38,229
General furnishings & equipment	8,017	458	-	8,475
Computers & related equipment	10,894	344	-	11,238
	<u>57,005</u>	<u>937</u>	-	<u>57,942</u>
Net capital assets being depreciated	<u>14,488</u>	<u>(937)</u>	-	<u>13,551</u>
Net capital assets	\$ <u>38,488</u>	\$ <u>1,780</u>	\$ -	\$ <u>40,268</u>

GALIEN TOWNSHIP PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONCLUDED

For the year ended March 31, 2007

NOTE F - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Total fund balance and the net change in fund balance of the Library's General Fund 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 Balance - modified accrual basis \$ 497,778

Amounts reported in the Statement of Net Assets are different because:

Capital assets are not financial resources, and are not reported in the funds 40,268

Net Assets of General Fund - full accrual basis \$ 538,046

Net Changes in Fund Balance - modified accrual basis \$ 52,769

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 2,717
Depreciation (937)

Change in Net Assets of General Fund - full accrual basis \$ 54,549

REQUIRED SUPPLEMENTARY INFORMATION

GALIEN TOWNSHI

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended March 31, 2007

REVENUES:	Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Property taxes	\$ 35,000	\$ 35,000	\$ 50,190	\$ 15,190
State-shared revenues	2,500	2,500	2,427	(73)
County penal fines	29,500	30,500	31,185	685
Charges for services	1,200	1,200	1,014	(186)
Interest	10,682	14,182	15,720	1,538
Miscellaneous	-	-	132	132
Donations	1,000	1,300	2,810	1,510
TOTAL REVENUES	79,882	84,682	103,478	18,796
EXPENDITURES:				
Automation	400	400	-	400
Advertising	100	100	90	10
Payroll and related taxes	22,000	22,000	22,048	(48)
Utilities	4,430	4,550	4,295	255
Supplies	2,750	2,750	2,682	68
Repairs and maintenance	5,300	3,050	2,420	630
Insurance	2,100	2,300	2,209	91
Professional fees	7,500	5500	4,174	1,326
Memberships	1,000	1,000	607	393
Workshops and travel	800	800	-	800
Library materials	9,200	9,200	8,387	813
Program expenses	1,650	1,350	923	427
Licenses and permits	-	125	125	-
Miscellaneous	-	-	32	(32)
Capital outlay	4,350	7,350	2,717	4,633
TOTAL EXPENDITURES	61,580	60,475	50,709	9,766
EXCESS OF REVENUES OVER EXPENDITURES	18,302	24,207	52,769	28,562
FUND BALANCE, BEGINNING OF YEAR	445,009	445,009	445,009	-
FUND BALANCE, END OF YEAR	\$ 463,311	\$ 469,216	\$ 497,778	\$ 28,562

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