

Bridgman Public Library

**Financial Report
with Supplemental Information
June 30, 2009**

Bridgman Public Library

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Independent Auditor's Report

To the Bridgman Public Library Board
Bridgman, Michigan

We have audited the financial statements of the governmental activities and the major governmental fund of Bridgman Public Library as of and for the year ended June 30, 2009, which collectively comprise Bridgman Public Library's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Bridgman Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bridgman Public Library as of June 30, 2009 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 the budgetary comparison schedule, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

December 2, 2009

Bridgman Public Library

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of Bridgman Public Library (the "Library"):

- The first column of the financial statements includes information on Bridgman Public Library's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of Bridgman Public Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The government-wide financial statement column provides both long-term and short-term information about Bridgman Public Library's overall financial status. The statement of net assets and statement of activities provide information about the activities of Bridgman Public Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The required supplemental information section follows the basic financial statements and further explains and supports the information in the financial statements.

Condensed Financial Information

The Library's net assets decreased by \$96,698 during fiscal year 2009, ending the year at \$2,573,702. The table below shows the composition of the Library's net assets at June 30, 2009 and 2008.

Bridgman Public Library

Management's Discussion and Analysis (Continued)

	June 30		Increase (Decrease)
	2009	2008	
Assets			
Current assets	\$ 494,632	\$ 673,341	\$ (178,709)
Capital assets - Nondepreciable	349,000	395,831	(46,831)
Capital assets - Net	<u>1,743,595</u>	<u>1,626,003</u>	<u>117,592</u>
Total assets	2,587,227	2,695,175	(107,948)
Liabilities - Current liabilities	<u>13,525</u>	<u>24,775</u>	<u>(11,250)</u>
Net Assets			
Investment in general capital assets	2,092,595	2,021,834	70,761
Restricted for future endowment	34,032	38,897	(4,865)
Unrestricted	<u>447,075</u>	<u>609,669</u>	<u>(162,594)</u>
Total net assets	<u>\$ 2,573,702</u>	<u>\$ 2,670,400</u>	<u>\$ (96,698)</u>

The table below is a two-year comparison of the revenues and expenditures of the Library. For the year ended June 30, 2009, expenses on the full accrual method of accounting exceeded revenue by \$96,698. For the year ended June 30, 2008, revenue exceeded expenses by \$61,426.

	Year Ended June 30		Increase (Decrease)
	2009	2008	
Revenue			
Property tax	\$ 185,769	\$ 186,943	\$ (1,174)
Penal fines	57,372	55,184	2,188
Lake Township contract	87,006	75,219	11,787
Contributions	19,403	66,743	(47,340)
Other	<u>31,219</u>	<u>126,298</u>	<u>(95,079)</u>
Total revenue	380,769	510,387	(129,618)
Expenses - Library services			
Personnel	181,885	182,005	(120)
Depreciation	115,688	113,268	2,420
Other	<u>179,894</u>	<u>153,688</u>	<u>26,206</u>
Total expenses	<u>477,467</u>	<u>448,961</u>	<u>28,506</u>
Excess of Revenue (Under) Over Expenditures	<u>\$ (96,698)</u>	<u>\$ 61,426</u>	<u>\$ (158,124)</u>

Bridgman Public Library

Management's Discussion and Analysis (Continued)

Bridgman Public Library as a Whole

- Bridgman Public Library's net assets decreased this year.
- Bridgman Public Library's primary source of revenue in the current year was property taxes, which accounted for 49 percent of total revenue. The remaining revenue sources include a contract with Lake Charter Township, which represents 23 percent of total revenue; donations, which represent 5 percent of total revenue; library fines (including penal fines), which represent 15 percent of total revenue; and other miscellaneous sources, which represent 8 percent of total revenue. Penal fines are unpredictable and vary yearly depending on police activity and court costs.
- Personnel expenses are a significant cost to Bridgman Public Library, representing 38 percent of total expenditures.

Library Budgetary Highlights

The Library had one budget overrun in 2009. It was as follows:

	Budget	Actual	Overrun
Miscellaneous	\$ 18,295	\$ 32,786	\$ 14,491

The above budget overrun was due to two unbudgeted expenses. The Library's investment with Berrien Community Foundation incurred an unrealized loss in value as of June 30, 2009 amounting to \$6,865. The Library board also elected to remit \$6,458 of unspent contributions collected in prior years to the Bridgman Lake Township Historical Society intended for the writing of a historical book about Bridgman.

Capital Assets and Debt Administration

At the end of the fiscal year, Bridgman Public Library had approximately \$2.1 million invested in land, building, furnishings, equipment, books, and materials. During the fiscal year, the Library completed the parking lot project for approximately \$87,000. The Library added books and materials at a cost of \$25,283.

Bridgman Public Library's debt rating is excellent. No debt was issued during this fiscal year.

Bridgman Public Library

Management's Discussion and Analysis (Continued)

Future Operating Plans

The Library intends to provide a balanced collection of diverse media focusing on reliable and accurate information and to maintain and improve our base of services for people of all ages, especially borrowers, computer users, and children. Included in our plan is to increase attendance at programs by a targeted percentage each year.

The Library will focus on training and maintaining a skilled, knowledgeable, flexible, and diverse staff team that can respond confidently and creatively.

Lastly, the Library plans to develop and maintain clean, safe, physical facilities that creatively meet the needs of the community and staff with an emphasis on accessibility, comfort, and functionality.

All of the above will be accomplished using the Library mission statement and value statement as guidelines.

Contacting the Library's Management

This financial report is designed to provide a general overview of the Library's finances and accountability of the public trust. Questions regarding any of the information provided in this report or requests for additional information should be addressed to the library director, Bridgman Public Library, 4460 Lake Street, Bridgman, MI 49106.

Bridgman Public Library

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2009

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets			
Cash and cash equivalents (Note 4)	\$ 108,914	\$ -	\$ 108,914
Investments	350,000	-	350,000
Other receivables	1,686	-	1,686
Beneficial interest in assets held by Community Foundation (Note 5)	34,032	-	34,032
Capital assets - Nondepreciable (Note 6)	-	349,000	349,000
Capital assets - Subject to depreciation - Net (Note 6)	-	1,743,595	1,743,595
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 494,632	\$ 2,092,595	2,587,227
Liabilities - Accounts payable and other liabilities			
	\$ 13,525	\$ -	13,525
Fund Balance/Net Assets			
Fund balance:			
Reserved for Community Foundation endowment	34,032	(34,032)	-
Unreserved - Undesignated	447,075	(447,075)	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	\$ 494,632	\$ (481,107)	13,525
Net Assets			
Invested in capital assets - Net of debt		\$ 2,092,595	2,092,595
Restricted for Community Foundation endowment		34,032	34,032
Unrestricted		447,075	447,075
		<u> </u>	<u> </u>
Total net assets		\$ 2,573,702	\$ 2,573,702

Bridgman Public Library

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2009

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue			
State sources	\$ 4,602	\$ -	\$ 4,602
Investment income	8,600	-	8,600
Property tax	185,769	-	185,769
Penal fines	57,372	-	57,372
Lake Township contract	87,006	-	87,006
Contributions	19,403	-	19,403
Insurance refunds	-	-	-
Other	18,017	-	18,017
Total revenue	380,769	-	380,769
Expenditures			
Personnel	181,885	-	181,885
Supplies	23,599	-	23,599
Professional services and dues	17,488	-	17,488
Community promotion	18,552	-	18,552
Insurance and bonds	9,873	-	9,873
Public utilities	18,227	-	18,227
Repairs and maintenance	38,915	-	38,915
Audiovisual, books, and periodicals	25,283	(25,283)	-
Capital expenditures	161,166	(161,166)	-
Staff/Board development	20,454	-	20,454
Miscellaneous	32,786	-	32,786
Depreciation	-	115,688	115,688
Total expenditures	548,228	(70,761)	477,467
Excess of Revenue (Under) Over Expenditures	(167,459)	70,761	(96,698)
Fund Balance/Net Assets - July 1, 2008	648,566	2,021,834	2,670,400
Fund Balance/Net Assets - June 30, 2009	\$ 481,107	\$ 2,092,595	\$ 2,573,702

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

Bridgman Public Library (the "Library") is located in the City of Bridgman, Michigan and is governed by a partially appointed/partially elected board. The Library is primarily funded through a tax levy, fines and fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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 and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations.

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

Fund Financial 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 Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2008 ad valorem tax is levied and collectible on July 1, 2008 and is recognized as revenue in the year ended June 30, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2008 taxable valuation of the Library district totaled \$107,311,912, on which ad valorem taxes levied consisted of 1.7347 mills for operating purposes. This resulted in tax revenues of approximately \$186,000 for operating purposes, which are recognized in the General Fund.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments - The Library's investments consist of certificates of deposit with an original maturity greater than three months.

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

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Land improvement	15 years
Furniture and equipment	10 years
Library books - Reference	10 years
Periodicals and videos	5 years
Library books - Hard cover	5 years
Library books - Soft cover	3 years

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Bridgman Public Library

Notes to Financial Statements June 30, 2009

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

The General Fund's fund balance and the net change in fund balance differ from net assets and change in net assets reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement 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	\$ 481,107
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	<u>2,092,595</u>
Total Net Assets - Full accrual basis	<u>\$ 2,573,702</u>
Net Change in Fund Balances - Modified accrual basis	\$ (167,459)
Amounts reported 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:	
Library books, material, and equipment	186,449
Depreciation	<u>(115,688)</u>
Change in Net Assets of Governmental Activities - Full accrual basis	<u>\$ (96,698)</u>

Bridgman Public Library

Notes to Financial Statements June 30, 2009

Note 3 - Budget Information

The annual budget is prepared by the budget committee and adopted by the Library board in July of each year. Subsequent amendments are made in a legally permissible manner, except for the final amendment, and approved by the Library board periodically throughout the year. The final budget amendment was adopted after year end, which does not comply with state law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2009 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget can be found in the required supplemental information.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Library incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual	Overrun
Miscellaneous	\$ 18,295	\$ 32,786	\$ 14,491

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Note 4 - Deposits and Investments (Continued)

The Library has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in mutual funds and investment pools investing only in bonds and securities of the United States government, bank accounts, and CDs, but not the remainder of state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash and investments are subject to custodial credit risk of bank deposits, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$100,000 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 5 - Assets Held at Community Foundation

The Library has a non-endowment fund that is administered by Berrien Community Foundation (BCF) for the benefit of the Library. BCF is a public charity that is funded through donations by a large number of contributors. This fund consists strictly of donations directed to BCF by the Library. The Library has recorded this fund as a beneficial interest in the funds held by BCF. This asset has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be received by the Library.

Bridgman Public Library

Notes to Financial Statements June 30, 2009

Note 5 - Assets Held at Community Foundation (Continued)

A summary of changes in assets held at BCF is as follows:

Balance - July 1, 2008	\$ 38,897
Contributions	2,000
Distributions	-
Investment losses	<u>(6,865)</u>
Balance - June 30, 2009	<u>\$ 34,032</u>

Additionally, the Library established an endowment fund with BCF for the benefit of the Library. The purpose of the fund is to provide support and furtherance of the programs and activities of the Library. The Library does not control the fund because BCF maintains variance power and legal ownership by agreement. Therefore, the Library does not record an asset representing the fair value of the fund at year end. The current value of the fund as of June 30, 2009 was \$1,574.

Note 6 - Capital Assets

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

Governmental Activities	Balance			Balance June 30, 2009
	July 1, 2008	Additions	Transfers	
Capital assets not being depreciated:				
Land	\$ 341,706	\$ -	\$ -	\$ 341,706
Land improvement - Construction in progress	<u>54,125</u>	<u>7,294</u>	<u>(54,125)</u>	<u>7,294</u>
Subtotal	395,831	7,294	(54,125)	349,000
Capital assets being depreciated:				
Building	1,781,397	38,168	-	1,819,565
Land improvements	-	80,237	54,125	134,362
Furniture and equipment	345,705	35,467	-	381,172
Library books, periodicals, and videos	<u>813,460</u>	<u>25,283</u>	<u>-</u>	<u>838,743</u>
Subtotal	2,940,562	179,155	54,125	3,173,842
Less accumulated depreciation	<u>(1,314,559)</u>	<u>(115,688)</u>	<u>-</u>	<u>(1,430,247)</u>
Net capital assets being depreciated	<u>1,626,003</u>	<u>63,467</u>	<u>54,125</u>	<u>1,743,595</u>
Net capital assets	<u>\$ 2,021,834</u>	<u>\$ 70,761</u>	<u>\$ -</u>	<u>\$ 2,092,595</u>

Note 7 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for general liability, workers' compensation, and medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Upcoming Reporting Changes

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the Library's 2010 fiscal year end. This statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This statement also establishes specified conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. This Library is currently evaluating the impact this standard will have on the financial statements when adopted.

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The Library is currently evaluating the impact this standard will have on the financial statements when adopted. The Library will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

Required Supplemental Information

Bridgman Public Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State sources	\$ 4,000	\$ 4,000	\$ 4,602	\$ 602
Investment income	30,000	30,000	8,600	(21,400)
Property tax	189,347	189,347	185,769	(3,578)
Penal fines	52,500	52,500	57,372	4,872
Lake Township contract	82,027	82,027	87,006	4,979
Contributions	5,000	5,000	19,403	14,403
Other	7,000	7,000	18,017	11,017
Total revenue	369,874	369,874	380,769	10,895
Expenditures				
Personnel	214,013	192,529	181,885	(10,644)
Supplies	18,586	23,396	23,599	203
Professional services and dues	17,000	17,448	17,488	40
Community promotion	14,817	18,267	18,552	285
Insurance and bonds	9,815	9,873	9,873	-
Public utilities	17,000	18,522	18,227	(295)
Repairs and maintenance	25,000	37,771	38,915	1,144
Audiovisual, books, and periodicals	30,000	26,521	25,283	(1,238)
Capital expenditures	716	174,463	161,166	(13,297)
Staff/Board development	3,837	20,366	20,454	88
Miscellaneous	19,090	18,295	32,786	14,491
Total expenditures	369,874	557,451	548,228	(9,223)
Excess of Expenditures Over Revenue	-	(187,577)	(167,459)	20,118
Fund Balance - July 1, 2008	648,566	648,566	648,566	-
Fund Balance - June 30, 2009	\$ 648,566	\$ 460,989	\$ 481,107	\$ 20,118

December 2, 2009

To the Board of Directors
Bridgman Public Library
4460 Lake Street
Bridgman, Michigan 49106

Dear Board Members:

In planning and performing our audit of the financial statements of Bridgman Public Library (the "Library") as of and for the year ended June 30, 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 preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes as a material weakness.

Journal Entries Identified During Audit

Certain adjustments were identified by Plante & Moran, PLLC during the audit and recorded as adjusting entries. The Library keeps the general ledger on a cash basis; thus, multiple entries were posted to convert from the cash basis to the modified accrual basis of accounting and agree the fund balance with the prior year's financial statements. In addition, the audit adjustments for years ended June 30, 2007 and 2008 had not been posted to the Library's general ledger and were reposted as fiscal 2009 adjustments.

To the Board of Directors
Bridgman Public Library

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December 2, 2009

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

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in cursive script that reads "Sharon L. Vargo".

Sharon L. Vargo, Partner

December 2, 2009

To the Library Board
Bridgman Public Library

We have audited the financial statements of Bridgman Public Library (the "Library") for the year ended June 30, 2009 and have issued our report thereon dated December 2, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 26, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Bridgman Public Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 26, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bridgman Public Library are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2009.

We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

There were no significant components in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, the misstatements detected as a result of audit procedures and corrected by management were related to converting the Library's financial statements from the cash basis of accounting to the accrual basis of accounting.

Disagreements with Management

For the purpose 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 December 2, 2009.

Management 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 Library’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.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Library, and business plans and strategies that may affect the risks of material misstatement with management each year prior to retention as the Library’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Other Information in Documents Containing Audited Financial Statements

Our responsibility relates to the Library’s financial statements and other information as identified in the auditor’s report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents.

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

Very truly yours,

Plante & Moran, PLLC



Sharon L. Vargo, Partner

Client: Bridgman Public Library
Opinion Unit: Governmental Activities
Y/E: 6/30/2009

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Pretax Income
KNOWN MISSTATEMENTS:									
A1	Accrued interest on CDs	\$ 7,697					\$ 7,697		\$ 7,697
A2									
ESTIMATE ADJUSTMENTS:									
B1	None								
B2									
IMPLIED ADJUSTMENTS:									
C1	None								
C2									
		-	\$ -	\$ -	\$ -	\$ -	-	\$ -	-
	Total	<u>\$ 7,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,697</u>	<u>\$ -</u>	<u>\$ 7,697</u>