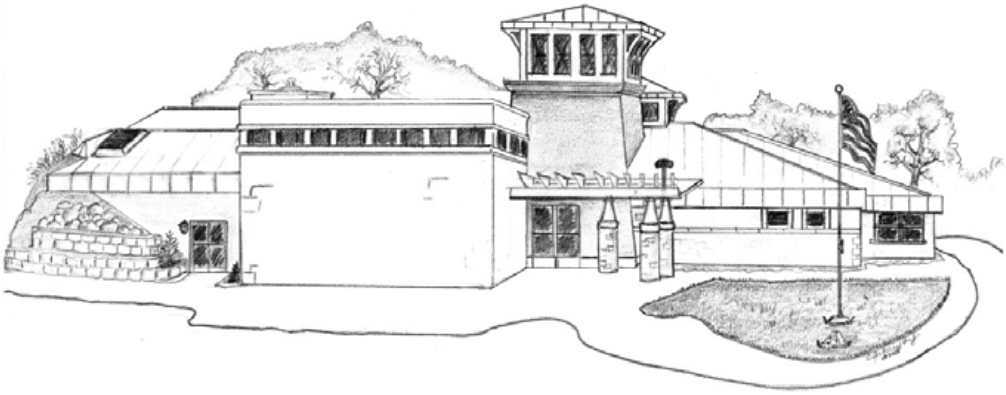
Bridgman Public Library



FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2010

CONTENTS | PAGE

Independent Auditor's Report	1
Management's Discussion and Analysis	2-5
Basic Financial Statements – Government-wide/Governmental Fund	
Governmental Fund Balance Sheet/Statement of Net Assets	6
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	7
Notes to Financial Statements	8-15
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	16

805 Van Brunt Ave. • P.O. Box 47 • St. Joseph, Michigan 49085
Phone: (269) 983-0131 • Fax: (269) 983-0335 • www.slcpa.biz

Schaffer & Layher
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Bridgman Public Library Board's Joint Board of Directors
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, 2010, which collectively comprise Bridgman Public Library's basic financial statements as listed in the table of contents. These 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, 2010 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.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 5 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Schaffer & Layher

Schaffer & Layher, PLLC
October 6, 2010

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

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 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 $52,533 during the fiscal year 2010, ending the year at $2,521,169. The table below shows the composition of the Library's net assets at June 30, 2010 and 2009.

	June 30, 2010	June 30, 2009	Increase (Decrease)
Assets			
Current assets	$ 484,906	$ 494,632	$ (9,726)
Capital assets - Nondepreciable	341,706	349,000	(7,294)
Capital assets - Net	1,699,646	1,743,595	(43,949)
Total Assets	$ 2,526,258	$ 2,587,227	$ (60,969)
Liabilities - Current liabilities	$ 5,089	$ 13,525	$ (8,436)
Net Assets			
Investment in general capital assets	$ 2,041,352	$ 2,092,595	$ (51,243)
Restricted for future endowment	38,713	34,032	4,681
Unrestricted	441,104	447,075	(5,971)
Total Net Assets	$ 2,521,169	$ 2,573,702	$ (52,533)

The table below is a two-year comparison of the revenues and expenditures of the Library. For the year ended June 30, 2010, expenditures on the full accrual method of accounting exceeded expenses by $52,533. For the year ended June 30, 2009, expenses exceeded revenue by $96,698.

	June 30, 2010	June 30, 2009	Increase (Decrease)
Revenue			
Property tax	$ 190,730	$ 185,769	$ 4,961
Penal and material fines	58,184	57,372	812
Lake Township contract	67,038	87,006	(19,968)
Contributions and memorials	29,871	19,403	10,468
Other	37,817	31,219	6,598
Total Revenue	$ 383,640	$ 380,769	$ 2,871
Expenses- Library services			
Personnel	$ 187,562	$ 181,885	$ 5,677
Depreciation	122,294	115,688	6,606
Other	126,317	179,894	(53,577)
Total Expenses	$ 436,173	$ 477,467	$ (41,294)
Excess (Deficit) of Revenue (Under) Over Expenditures	$ (52,533)	$ (96,698)	$ 44,165

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 17 percent of total revenue; donations, which represent 8 percent of total revenue; library fines (including penal fines), which represent 15 percent of total revenue; and other miscellaneous sources, which represent 11 percent of total revenue. Penal fines are unpredictable and vary yearly depending on police activity and courts costs.

- Personnel expenses are a significant cost to Bridgman Public Library, representing 49 percent of total expenditures.

Library Budgetary Highlights

The Library had one budget overrun in 2010. It was as follows:

	Budget	Actual	Overrun
Miscellaneous	$ 2,295	$ 3,072	$ 777

The Library's investment with Berrien Community Foundation incurred an unrealized gain in value as of June 30, 2010 amounting to $4,681.

Capital Assets and Debt Administration

At the end of the fiscal year, Bridgman Public Library had approximately $2.0 million invested in land, building, furnishings, equipment, books, and materials. During the fiscal year, the Library completed the courtyard/patio project for $37,176. The Library added books and materials at a cost of $33,875.

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

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 Board President of the Bridgman Public Library, 4460 Lake Street, Bridgman, MI 49106.

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2010

	General Fund - Modified Accrual Basis	Adjustments	Statement of Net Assets - Full Accrual
Assets			
Cash and cash equivalents	$ 87,775	$ -	$ 87,775
Investments	358,418	-	358,418
Beneficial interest in assets held by Community Foundation	38,713	-	38,713
Capital assets - Nondepreciable	-	341,706	341,706
Capital assets - Subject to depreciation - Net	-	1,699,646	1,699,646
Total Assets	$ 484,906	$ 2,041,352	$ 2,526,258
Liabilities			
Accounts payable and other liabilities	$ 5,089	$ -	$ 5,089
Fund Balance/Net Assets			
Fund balance:			
Non spendable - Reserved for Community Foundation endowment	38,713	(38,713)	-
Unassigned	441,104	(441,104)	-
Total liabilities and fund balance	$ 484,906	$ (479,817)	$ 5,089
Net Assets			
Invested in capital assets - Net of debt		$ 2,041,352	$ 2,041,352
Restricted for Community Foundation endowment		38,713	38,713
Unrestricted		441,104	441,104
Total net assets		$ 2,521,169	$ 2,521,169

The Notes to Financial Statements are an Integral Part of this Statement.

STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund - Modified Accrual Basis	Adjustments	Statement of Net Assets - Full Accrual
Revenue			
State sources	$ 2,170	$ -	$ 2,170
Investment income	15,240	-	15,240
Property tax	190,730	-	190,730
Penal and material fines	58,184	-	58,184
Lake Township contract	67,038	-	67,038
Contributions and memorials	29,871	-	29,871
Other	20,407	-	20,407
Total Revenue	$ 383,640	$ -	$ 383,640
Expenditures			
Personnel	$ 187,562	$ -	$ 187,562
Insurance	3,777	-	3,777
Supplies	34,667	-	34,667
Professional services and dues	7,456	-	7,456
Community promotion	6,953	-	6,953
Public utilities	17,578	-	17,578
Repairs and maintenance	26,649	-	26,649
Audiovisual, books, and periodicals	33,875	(33,875)	-
Staff/Board development	16,508	-	16,508
Miscellaneous	3,072	-	3,072
Capital expenditures < $500	9,657	-	9,657
Capital expenditures > $500	37,176	(37,176)	-
Depreciation	-	122,294	122,294
Total expenditures	$ 384,930	$ 51,243	$ 436,173
Deficit of Revenue Under Expenditures	$ (1,290)	$ (51,243)	$ (52,533)
Fund Balance/Net Assets -Beginning of Year	481,107	2,092,595	2,573,702
Fund Balance/Net Assets - End of Year	$ 479,817	$ 2,041,352	$ 2,521,169

The Notes to Financial Statements are an Integral Part of this Statement.

NOTE 1. 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 elected/partially appointed Joint Board of Directors. 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 State of America (GAAP) as applicable to governmental units.

Measurement Focus, Basic of Accounting, and Financial Statements 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 1. 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 2009 ad valorem tax is levied and collectible on July 1, 2009 and is recognized as revenue in the year ended June 30, 2010, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2009 taxable valuation of the Library district totaled $108,291,670 on which ad valorem taxes levied consisted of 1.7347 mills for operating purposes. This resulted in tax revenues of approximately $190,000 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 coast 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 expenses 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	5 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.

Accounting Change:

During the year the Library has adopted Governmental Accounting Standards Board Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this new statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. 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: reserved, designated and unreserved was replaced with five new classifications: non spendable, restricted, committed, assigned and unassigned. Implementing this statement changed fund balance classifications from "Reserved for Community Foundation Endowment" and "Unreserved-Undesignated" to "Non spendable – Reserved for Community Foundation Endowment" and "Unassigned" fund balance classifications.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

The following are definitions for the five new fund balance classifications:

1. ***Non spendable fund balance*** –includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. As of June 30, 2010, $38,713 was classified as non spendable for the Berrien Community Foundation endowment.

2. ***Restricted fund balance*** –includes amounts that can be spent only for the specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation. Effectively restrictions may be changed or lifted only with the consent of resource providers. As of June 30, 2010, none of the Library's fund balance had any set restrictions.

3. ***Committed fund balance***– includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision –making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. As of June 30, 2010, none of the Library's fund balance was committed.

4. ***Assigned fund balance***–includes amounts that are constrained by the government's *intent* to be used for a specific purpose, but are neither restricted nor committed. As of June 30, 2010, the Library didn't have any assigned fund balance classification.

5. ***Unassigned fund balance*** – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. As of June 30, 2010, $441,104 was classified as unassigned.

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

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. The 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	$	484,906
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds		2,041,352
Total Net Assets - Full accrual basis	$	2,526,258
Net Change in Fund Balances - Modified accrual basis	$	(1,290)
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		71,051
Depreciation		(122,294)
Change in Net Assets of Governmental Activities - Full accrual basis	$	(52,533)

NOTE 3. BUDGET INFORMATION

The annual budget is prepared by the Finance committee and adopted by The Board in July of each year. Subsequent amendments are made in a legally permissible manner, and approved by The Board periodically throughout the year. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2010 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.

NOTE 3. BUDGET INFORMATION, CONCLUDED

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	$ 2,295	$ 3,072	$ 777

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 Sates 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.

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 $103,430 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.

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

Balance, Beginning of Year	$	34,032
Contributions		-
Investment gains		4,681
Balance, End of Year	$	38,713

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, 2010 was $2,228.

NOTE 6. CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2009	Additions	Disposals/ Transfers	Balance June 30, 2010
Capital assets not being depreciated:				
Land	$ 341,706	$ -	$ -	$ 341,706
Land improvement- Construction in progress	7,294	-	(7,294)	-
Subtotal	$ 349,000	$ -	$ (7,294)	$ 341,706
Capital assets being depreciated:				
Building	$ 1,819,565	$ -	$ -	$ 1,819,565
Land improvements	134,362	17,706	7,294	159,362
Furniture and equipment	381,172	19,470	-	400,642
Library books, periodicals, and videos	838,743	33,875	-	872,618
Subtotal	$ 3,173,842	$ 71,051	$ 7,294	$ 3,252,187
Less accumulated deprecation	(1,430,247)	(122,294)	-	(1,552,541)
Net capital assets being depreciated	1,743,595	(51,243)	7,294	1,699,646
Net capital assets	$ 2,092,595	$ (51,243)	$ -	$ 2,041,352

NOTE 7. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's 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. SUBSEQUENT EVENTS

Subsequent events have been evaluated by the auditors as of October 5, 2010, which is the date the statements were ready be issued.

REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State sources	$ 4,000	$ 4,000	$ 2,170	$ (1,830)
Investment income	-	-	15,240	15,240
Property tax	189,347	189,347	190,730	1,383
Penal and material fines	56,500	56,500	58,184	1,684
Lake Township contract	91,985	88,083	67,038	(21,045)
Contributions and memorials	5,500	5,500	29,871	24,371
Other	8,000	8,000	20,407	12,407
Total revenue	$ 355,332	$ 351,430	$ 383,640	$ 32,210
Expenditures				
Personnel	$ 188,147	$ 189,747	$ 187,562	$ 2,185
Insurance	9,997	3,897	3,777	120
Supplies	42,000	39,000	34,667	4,333
Professional services and dues	7,000	7,506	7,456	50
Community promotion	5,000	7,500	6,953	547
Public utilities	18,000	19,000	17,578	1,422
Repairs and maintenance	26,000	27,500	26,649	851
Audiovisual, books, and periodicals	31,500	34,000	33,875	125
Staff/Board development	5,000	17,000	16,508	492
Miscellaneous	3,500	2,295	3,072	(777)
Capital expenditures < $500	10,000	19,319	9,657	9,662
Capital expenditures > $500	11,109	37,176	37,176	-
Total expenditures	$ 357,253	$ 403,940	$ 384,930	$ 19,010
Excess of Expenditures Over Revenue	(1,921)	(52,510)	(1,290)	51,220
Fund Balance - Beginning of Year	481,107	481,107	481,107	-
Fund Balance - End of Year	$ 479,186	$ 428,597	$ 479,817	$ 51,220

805 Van Brunt Ave. • P.O. Box 47 • St. Joseph, Michigan 49085
Phone: (269) 983-0131 • Fax: (269) 983-0335 • www.slcpa.biz

Schaffer & Layher
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of the
Bridgman Public Library

In planning and performing our audit of the financial statements of the governmental activities of the Bridgman Public Library as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Bridgman Public 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 limited purpose described in the preceding paragraph and was not designed to indentify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in Bridgman Public Library's internal control to be an material weaknesses:

During the course of our engagement, we have been asked to prepare drafts of the Library's financial statements in accordance with generally accepted accounting principles. The employees and management responsible for reviewing those financial statements lack the skill and knowledge to properly apply generally accepted accounting principles.

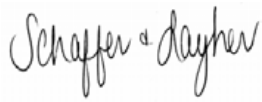
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Library's internal control to a significant deficiency:

The size of the Library's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain involved in the financial affairs of the Library to provide oversight and independent review functions, and continue to look at ways to enhance controls with the existing staff.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

This communication is intended solely for the information and use of management, Bridgman Public Library's Board and others within the organization and is not intended to be, and should not be used by anyone other than these specified parties.

Sincerely,



Schaffer & Layher
October 6, 2010

805 Van Brunt Ave. • P.O. Box 47 • St. Joseph, Michigan 49085
Phone: (269) 983-0131 • Fax: (269) 983-0335 • www.slcpa.biz

Schaffer & Layher
CERTIFIED PUBLIC ACCOUNTANTS

October 6, 2010

To the Board of Directors of the
Bridgman Public Library

We have audited the financial statements of the governmental activities of **Bridgman Public Library** for the year ended June 30, 2010, and have issued our report thereon dated October 6, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 25, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Bridgman Public Library are described in Note 1 to the financial statement. The Library has elected to adopt GASB Statement Number 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. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements

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 allowance for doubtful accounts is based on historical collections data. Additionally, management's estimate of asset lives for depreciation is based on the useful life of the asset, IRS guidelines, and consultation with Schaffer & Layher personnel. We evaluated the key factors and assumptions used to develop the allowance and estimation of lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

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.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

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 October 6, 2010.

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 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.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Library Board of Bridgman Public Library 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,

Schaffer & Layher

Schaffer & Layher, PLLC
St. Joseph, MI 49085