

**NEW BUFFALO TOWNSHIP LIBRARY**  
**(A Component Unit of New Buffalo Township)**

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**FINANCIAL REPORT**

**With Supplemental Information**

**for the year ended December 31, 2009**

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**HUTTER & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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# HUTTER & ASSOCIATES, P.C.

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## INDEPENDENT AUDITORS' REPORT

Honorable Members of the  
New Buffalo Township Library Board  
New Buffalo Township  
Berrien County, Michigan

We have audited the accompanying basic financial statements of the New Buffalo Township Library as of December 31, 2009 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the New Buffalo Township Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the New Buffalo Township Library as of December 31, 2009 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the New Buffalo Township Library. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis (MD&A) included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the New Buffalo Township Library. We did not examine this data and, accordingly, do not express an opinion thereon.

*Heutter & Associates, P.C.*

May 3, 2010

NEW BUFFALO TOWNSHIP LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 31, 2009

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Using this Annual Report

This annual report consists of three parts - Management's Discussion and Analysis (MD&A) (this section), the Basic Financial Statements, and Required Supplemental Information. The Basic Financial Statements includes information that presents two different views of the Library as follows:

- . The first two columns of the financial statements include information on the Library's General Fund and Capital Projects 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 the 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 columns provide both long-term and short-term information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the 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 financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplemental Information that further explains and supports the information in the financial statements.

NEW BUFFALO TOWNSHIP LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

December 31, 2009

Condensed Financial Information

The Library's net assets increased by \$147,620 during 2009, ending the year at \$1,176,876. The table below shows the composition of the Library's net assets at December 31, 2009 and 2008.

	<u>December 31,</u>		Increase
	<u>2009</u>	<u>2008</u>	(Decrease)
<b>Assets:</b>			
Current assets	\$ 351,559	\$ 183,021	\$168,538
Capital assets	<u>827,836</u>	<u>848,826</u>	<u>(20,990)</u>
Total assets	<u>\$1,179,395</u>	<u>\$1,031,847</u>	<u>\$147,548</u>
<b>Liabilities:</b>			
Current liabilities	<u>\$ 2,519</u>	<u>\$ 2,591</u>	<u>\$ (72)</u>
<b>Net assets:</b>			
Investment in general capital assets	\$ 827,836	\$ 848,826	\$(20,990)
Designated for capital improvements	322,197	166,471	155,726
Unrestricted	<u>26,843</u>	<u>13,959</u>	<u>12,884</u>
Total net assets	<u>\$1,176,876</u>	<u>\$1,029,256</u>	<u>\$147,620</u>

The table below is a two year comparison of the revenue and expenditures of the Library. For the year ended December 31, 2009, revenue on the full accrual method of accounting exceeded expenses by \$147,620. For the year ended December 31, 2008, revenue exceeded expenses by \$65,477.

	<u>December 31,</u>		Increase
	<u>2009</u>	<u>2008</u>	(Decrease)
<b>Revenue:</b>			
Property taxes	\$ 237,289	\$ 228,164	\$ 9,125
Other	<u>194,008</u>	<u>125,379</u>	<u>68,629</u>
Total revenue	431,297	353,543	77,754
<b>Expenditures</b>	<u>283,677</u>	<u>288,066</u>	<u>(4,389)</u>
Change in net assets	<u>\$ 147,620</u>	<u>\$ 65,477</u>	<u>\$ 82,143</u>

NEW BUFFALO TOWNSHIP LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONCLUDED

December 31, 2009

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The Library as a Whole

- . The Library's net assets increased this year.
- . The Library's primary source of revenue is from property taxes, which represents 55 percent of the total revenue as compared to 64 percent in the prior year.
- . Salaries and fringes continue to be a significant expense of the Library, representing 55 percent of the Library's total expenses. Salaries and fringes increased \$615 over the prior year.

The Library's Funds

Our analysis of the Library's major funds is included on pages 6 and 7 in the first two columns of the respective statements, which are the General Fund and the Capital Projects Fund. The Library Board has the ability to create separate funds to help manage money for specific purposes. The Library Board has set up the Capital Projects Fund to raise money for future expansion and/or construction of a new library building.

Capital Assets

At the end of the fiscal year, the Library had \$1,499,789 invested in land, building, furniture and equipment, and books and materials. The Library added \$32,624 in new collection items consisting of new books, various audio/visual materials, and enhancement of the music collection. The Library also purchased furniture and equipment amounting to \$15,703 during the year, which consisted of computers, phone equipment, shelving and other miscellaneous items. The total amount of furniture, equipment, and collection materials disposed of had a cost basis of \$31,322 and a net book value of \$12,447.

NEW BUFFALO TOWNSHIP LIBRARY  
GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET ASSETS  
as of December 31, 2009

	Governmental Funds Balance Sheet		
	Modified Accrual Basis		
	General Fund	Capital Projects Fund	Total
<b>Assets:</b>			
Cash and cash equivalents	\$29,362	\$322,197	\$351,559
Capital assets, net of depreciation	-	-	-
Total assets	<u>\$29,362</u>	<u>\$322,197</u>	<u>\$351,559</u>
<b>Liabilities and fund balances / net assets:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 998	\$ -	\$ 998
Property taxes payable	1,521	-	1,521
Total liabilities	<u>2,519</u>	-	<u>2,519</u>
<b>Fund balances - unreserved:</b>			
Designated for capital improvements	-	322,197	322,197
Undesignated	26,843	-	26,843
Total fund balances	<u>26,843</u>	<u>322,197</u>	<u>349,040</u>
Total liabilities and fund balances	<u>\$29,362</u>	<u>\$322,197</u>	<u>\$351,559</u>
<b>Net assets:</b>			
Investment in capital assets			
Restricted for capital outlay			
Unrestricted			
Total net assets			
Total liabilities and net assets			

See accompanying notes to financial statements.

GASB 34 Adjustments (Note 8)	Statement of Net Assets Full Accrual
\$ -	\$ 351,559
<u>827,836</u>	<u>827,836</u>
<u>\$ 827,836</u>	<u>\$1,179,395</u>
\$ -	\$ 998
<u>-</u>	<u>1,521</u>
<u>-</u>	<u>2,519</u>
(322,197)	-
<u>(26,843)</u>	<u>-</u>
<u>(349,040)</u>	<u>-</u>
827,836	827,836
322,197	322,197
<u>26,843</u>	<u>26,843</u>
<u>1,176,876</u>	<u>1,176,876</u>
<u>\$ 827,836</u>	<u>\$1,179,395</u>

NEW BUFFALO TOWNSHIP LIBRARY

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCES / STATEMENT OF ACTIVITIES

for the year ended December 31, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Revenue:</b>			
Property taxes	\$237,289	\$ -	\$237,289
State aid	4,088	-	4,088
Penal fines	63,426	-	63,426
Interest on investments	2,159	3,042	5,201
Book sales	1,968	-	1,968
Library fines and fees	9,383	-	9,383
Rental income	14,630	-	14,630
Grant income	90,556	-	90,556
Other miscellaneous	2,356	200	2,556
<b>Total revenue</b>	<u>425,855</u>	<u>3,242</u>	<u>429,097</u>
<b>Expenditures:</b>			
Salaries and fringe benefits	156,412	-	156,412
Supplies	5,851	-	5,851
Library books and materials	32,624	-	32,624
Professional and contractual services	11,308	-	11,308
Conferences, workshops, and travel	6,094	-	6,094
Insurance and bonds	8,258	-	8,258
Utilities	10,127	-	10,127
Repairs and maintenance	11,309	-	11,309
Capital outlay	16,094	-	16,094
Depreciation	-	-	-
Property taxes	4,658	-	4,658
Loss on disposals of assets	-	-	-
Miscellaneous	343	-	343
<b>Total expenditures</b>	<u>263,078</u>	<u>-</u>	<u>263,078</u>
Excess (deficiency) of revenue over expenditures / change in net assets	162,777	3,242	166,019
Operating transfers in (out), net	(152,484)	152,484	-
<b>Fund balances / net assets:</b>			
Beginning of year	<u>16,550</u>	<u>166,471</u>	<u>183,021</u>
End of year	<u>\$ 26,843</u>	<u>\$322,197</u>	<u>\$349,040</u>

See accompanying notes to financial statements.

<u>GASB 34</u> <u>Adjustments</u> <u>(Note 8)</u>	<u>Statement</u> <u>of</u> <u>Activities</u>
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\$ -	\$ 237,289
-	4,088
-	63,426
-	5,201
-	1,968
-	9,383
-	14,630
-	90,556
<u>2,200</u>	<u>4,756</u>
<u>2,200</u>	<u>431,297</u>
-	156,412
-	5,851
(32,624)	-
-	11,308
-	6,094
-	8,258
-	10,127
-	11,309
(16,094)	-
56,870	56,870
-	4,658
12,447	12,447
-	<u>343</u>
<u>20,599</u>	<u>283,677</u>
(18,399)	147,620
-	-
<u>846,235</u>	<u>1,029,256</u>
<u>\$827,836</u>	<u>\$1,176,876</u>

NEW BUFFALO TOWNSHIP LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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Note 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies of the New Buffalo Township Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies.

Effective January 1, 2004, the New Buffalo Township Library implemented the provisions of GASB Statement No. 34, Management's Discussion and Analysis (MD&A) - and Basic Financial Statements - for State and Local Governments. Significant changes in the Statement include the following:

- . A management's discussion and analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- . Basic financial statements prepared using full accrual accounting for all of the Library's activities.
- . A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

REPORTING ENTITY:

The New Buffalo Township Library was established under P.A. 164 of 1877, as amended. The Library is governed by a Board elected by public ballot from the Township Electorate. 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 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.

NEW BUFFALO TOWNSHIP LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

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Note 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

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 Governmental Funds Balance Sheet / Statement of Net Assets and Statement of Revenue, Expenditures and Changes in Fund Balances / Statement of Activities combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations.

The Operating Fund is the only major individual governmental fund. For fund financial statements, the accounts of the Library are organized on the basis of funds each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise each fund's assets, liabilities, fund balances, revenues and expenditures. The following is a description of the funds included in the accompanying basic financial statements.

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

Capital Projects Fund - The Capital Projects Fund accounts for the financial resources to be used for the acquisition of major capital expenditures.

NEW BUFFALO TOWNSHIP LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

Note 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

BASIS OF ACCOUNTING:

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. Fund financial statements (the Governmental Funds Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balances) are prepared using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

BUDGETS AND BUDGETARY ACCOUNTING:

The Library Board annually adopts a budget for each of its funds. The budget is adopted on the basis of accounting described above. Budgeted amounts are as originally adopted or amended by the Board.

CASH AND CASH EQUIVALENTS:

The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

CAPITAL ASSETS:

Capital assets are defined by the Library as assets with an initial cost of more than \$600 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported 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 repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Building	20-50 years
Furniture and equipment	5-10 years
Improvements	10-20 years
Library books and materials	3-10 years

NEW BUFFALO TOWNSHIP LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

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

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES (VACATION AND SICK LEAVE):

The Library does not allow employees to accumulate vacation time, but rather, will pay out any remaining time at the end of each year. The policy for sick pay is dependent on the employment contract set up for each position. Sick pay can be accumulated depending upon the position held. The Library's Employee Policies and Procedures Manual is the formal authority on vacation and sick pay. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library.

FUND EQUITY:

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

NEW BUFFALO TOWNSHIP LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

Note 2. DEPOSITS AND INVESTMENTS.

Deposits are carried at cost. The Governmental Funds Balance Sheet / Statement of Net Assets line item, "cash and cash equivalents" consists of cash on hand, cash, checking, and savings located at three Michigan banks, as follows:

<u>Deposits</u>	<u>Cash on Hand</u>	<u>Financial Institution</u>			<u>Total</u>
		<u>Horizon Bank</u>	<u>New Buffalo Savings Bank</u>	<u>Fifth Third Bank</u>	
Cash on hand	\$250	\$ -	\$ -	\$ -	\$ 250
Cash, checking	-	4,765	38,443	-	43,208
Savings	-	18,468	68,302	221,331	308,101
	<u>\$250</u>	<u>\$23,233</u>	<u>\$106,745</u>	<u>\$221,331</u>	<u>\$351,559</u>

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's cash deposits is as follows:

	<u>Insured</u>	<u>Uninsured</u>	<u>Total</u>
Horizon Bank	\$ 23,233	\$ -	\$ 23,233
New Buffalo Savings Bank	106,745	-	106,745
Fifth Third Bank	<u>221,331</u>	<u>-</u>	<u>221,331</u>
	<u>\$351,309</u>	<u>\$ -</u>	<u>\$351,309</u>

NEW BUFFALO TOWNSHIP LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

Note 3. GENERAL FIXED ASSETS.

A summary of changes in general fixed assets is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets not being depreciated:				
Land	\$ 322,817	\$ -	\$ -	\$ 322,817
Other capital assets:				
Building and improvements	472,977	-	-	472,977
Furniture and equipment	187,844	15,703	10,220	193,327
Library books and materials	<u>499,146</u>	<u>32,624</u>	<u>21,102</u>	<u>510,668</u>
Total	1,482,784	48,327	31,322	1,499,789
Less, accumulated depreciation	<u>633,958</u>	<u>56,870</u>	<u>18,875</u>	<u>671,953</u>
Net book value	<u>\$ 848,826</u>	<u>\$(8,543)</u>	<u>\$12,447</u>	<u>\$ 827,836</u>

Note 4. CONCENTRATIONS OF CREDIT RISK.

Financial instruments that potentially subject the New Buffalo Township Library to concentrations of credit risk consist principally of temporary cash investments that exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC).

The New Buffalo Township Library maintains its cash balances and interest-bearing deposits in three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in the aggregate for all time and savings deposits; and up to \$250,000 in the aggregate for all demand deposits. The General Fund and Building Fund have separate insurance amounts.

NEW BUFFALO TOWNSHIP LIBRARY  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2009

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Note 5. COMMITMENTS AND CONTINGENCIES.

The New Buffalo Township Library receives a substantial amount of its support from local property tax revenues and state revenue-sharing and grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the Library's operations.

Note 6. PENSION PLAN.

During 1997, the Library implemented a SIMPLE IRA pension plan for all eligible employees. Employees are eligible to participate in the plan if they received at least \$5,000 in compensation during the previous two years. Employees may defer up to \$11,500 of their gross salary into the plan. The Library will match the contribution up to 3% of the employee's salary. The Library's contribution to the plan for the year ended December 31, 2009 was \$1,635.

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). The Library has purchased commercial insurance for general liability and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NEW BUFFALO TOWNSHIP LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONCLUDED

December 31, 2009

Note 8. ADJUSTMENTS.

Amounts reported in the Statement of Net Assets are different from the Governmental Funds Balance Sheet due to the following adjustment:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Net capital assets	<u>\$827,836</u>
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Amounts reported for governmental activities on the Statement of Activities are different from the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances as follows:

Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and loss on disposals of assets exceeded capital outlay in the current year:

Donations of capital assets	\$ 2,200
Capital outlay	48,718
Depreciation	(56,870)
Loss on disposals of assets	<u>(12,447)</u>
Net adjustment	<u>\$(18,399)</u>

Note 9. BUILDING LEASE.

The Library has a month-to-month lease on commercial property located at 23 N. Thompson Avenue. The lease payments are currently \$1,330 per month and are adjusted annually for increases in taxes and insurance. The tenant is responsible for fire and liability insurance, utilities, and minor repairs.

Included with the original property purchase is a parking easement that is shared by other businesses that will expire on December 10, 2013. Details on this entire property purchase are available in the Buy-Sell Agreement dated January 20, 2007.

REQUIRED SUPPLEMENTAL INFORMATION

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NEW BUFFALO TOWNSHIP LIBRARY

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS

for the year ended December 31, 2009

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue:				
Property taxes	\$221,100	\$237,456	\$237,289	\$ (167)
State aid	4,000	4,088	4,088	-
Penal fines	61,000	63,426	63,426	-
Interest on investments	4,578	4,626	5,201	575
Book sales	1,850	2,122	1,968	(154)
Library fines and fees	9,300	10,595	9,383	(1,212)
Rental income	15,000	15,000	14,630	(370)
Grant income	-	90,556	90,556	-
Other miscellaneous	<u>2,650</u>	<u>3,754</u>	<u>2,556</u>	<u>(1,198)</u>
Total revenue	<u>319,478</u>	<u>431,623</u>	<u>429,097</u>	<u>(2,526)</u>
Expenditures:				
Salaries and fringe benefits	174,000	150,000	156,412	(6,412)
Supplies	8,500	8,500	5,851	2,649
Library books and materials	33,500	35,100	32,624	2,476
Professional and contractual services	12,013	12,013	11,308	705
Conferences, workshops, and travel	6,000	6,500	6,094	406
Insurance and bonds	8,400	8,400	8,258	142
Utilities	10,500	9,178	10,127	(949)
Repairs and maintenance	11,203	11,203	11,309	(106)
Capital outlay	16,000	13,169	16,094	(2,925)
Property taxes	4,500	4,593	4,658	(65)
Miscellaneous	<u>7,018</u>	<u>4,738</u>	<u>343</u>	<u>4,395</u>
Total expenditures	<u>291,634</u>	<u>263,394</u>	<u>263,078</u>	<u>316</u>
Excess (deficiency) of revenue over expenditures	27,844	168,229	166,019	(2,210)
Fund balances, beginning of year	<u>183,021</u>	<u>183,021</u>	<u>183,021</u>	<u>-</u>
Fund balances, end of year	<u>\$210,865</u>	<u>\$351,250</u>	<u>\$349,040</u>	<u>\$(2,210)</u>

# HUTTER & ASSOCIATES, P.C.

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May 3, 2010

To the Executive Board  
New Buffalo Township Library  
New Buffalo, MI 49117

We have audited the basic financial statements of New Buffalo Township Library as of December 31, 2009, and for the year then ended, and have issued our report thereon dated May 3, 2010. 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 January 6, 2010, our responsibility, as described by professional standards, is to express opinions 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.

## **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you.

## **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 the Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 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.

#### *Difficulties Encountered in Performing the Audit*

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

#### **Audit Adjustments (Corrected and Uncorrected Misstatements)**

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 3, 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, 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.

### *Communication of Significant Deficiencies and Material Weaknesses*

In planning and performing our audit of the financial statements, as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit'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 certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a 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 a 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. The AICPA Auditing Standards Board issued Statements on Audit Standards (SAS) 112 that establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting and is effective for periods beginning after December 15, 2006. According to SAS 112, it is considered to be a control deficiency if a client we are auditing has ineffective controls over the preparation of their financial statements such that client controls are absent or controls are not effective in preventing or detecting material misstatements in the preparation of the financial statements, including the related footnotes.

We considered the following deficiencies to be significant deficiencies in internal control:

**Preparation of Financial Statements** – Management prepares internal financial information to assess operations and the financial position of the Library on an ongoing basis. Although the internal financial information is sufficient to operate the Library, it is not presented in accordance with generally accepted accounting principles. The Library contracts with us, the auditors, to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles, since it does not retain staffing that currently have the expertise. We believe this meets the definition of a material weakness under *Statement on Auditing Standards 112*.

**Accrual Adjustments** – During the audit, we generally provide significant assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records. We bring this to your attention since it meets the above definition on a matter to be communicated.

**Segregation of Duties** – The relative size of the Library limits the extent to which the officials can segregate duties and responsibilities which impairs the basic premise that no one individual should have access to both the physical assets and the related accounting records (or all recording tasks of a transaction from inception to completion).

The Library has implemented mitigating controls to strengthen internal controls and the segregation of duties; however, it must be recognized that the risk of intentional or unintentional errors could be made and not detected in a timely manner.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct

and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**.

We thank the Library staff for providing us with all the information and assistance necessary to complete this year's audit.

This report is intended solely for the information and use of the Board of Directors and management of New Buffalo Township Library. If we can be of any assistance in implementing these suggestions or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,

A handwritten signature in cursive script that reads "Hutter & Associates, P.C.".

Hutter & Associates, P.C.  
Certified Public Accountants