

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name White Cloud Community Library	County Newaygo
Fiscal Year End 6/30/07	Opinion Date 10/15/07	Date Audit Report Submitted to State 10/22/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following :	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input checked="" type="checkbox"/>	Internal Control Letter
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.	Telephone Number 231-924-6890	
Street Address 711 W. Main Street	City Fremont	State Zip MI 49412
Authorizing CPA Signature <i>Jodi DeKuiper, CPA</i>	Printed Name Jodi DeKuiper, CPA	License Number 1101021180

**WHITE CLOUD COMMUNITY LIBRARY
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2007

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WHITE CLOUD COMMUNITY LIBRARY

Board Members

<u>Appointed Official</u>	<u>Position</u>
Laurel Jones	President
Mike Ross	Vice-President
Christine Tiernan	Secretary
Pat Ebenstein	Treasurer
Georgia Burns	Trustee
Judy Maike	Trustee
Herbert Fields	Trustee
Donna Clark	Trustee

Administration

Nancy Harper	Director
Jessie Long	Assistant Director

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Library Board
White Cloud Community Library
Newaygo County
White Cloud, MI 49349

Independent Auditor's Report

We have audited the accompanying financial statements of the White Cloud Community Library as of and for the year ended June 30, 2007 as listed in the accompanying table of contents. These financial statements are the responsibility of the Library's board. 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 general purpose financial statements are free from 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 financial statements referred to above present fairly, in all material respects, the financial position of the White Cloud Community Library as of June 30, 2007, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis included in 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 White Cloud Community Library. We did not examine this data and, accordingly, do not express an opinion thereon.

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants
October 15, 2007

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WHITE CLOUD COMMUNITY LIBRARY

Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2007

Using this Annual Report

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

? The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These *Fund Financial Statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

? The second column of the financial statements includes information on the Library's Capital Projects Fund under the modified accrual method. These *Fund Financial Statements* focus on the 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 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 supplementary information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below contains key financial information in a condensed format:

	<u>6/30/2007</u>	<u>6/30/2006</u>
Current Assets	\$ 85,068	\$ 64,780
Noncurrent Assets	<u>584,750</u>	<u>604,725</u>
Total Assets	<u>\$ 669,818</u>	<u>\$ 669,505</u>
Long-Term Liabilities	\$ 29,300	\$ 35,650
Other Liabilities	<u>15,895</u>	<u>16,239</u>
Total Liabilities	<u>\$ 45,195</u>	<u>\$ 51,889</u>

Management's Discussion and Analysis (Continued)

Net Assets		
Invested in Capital Assets-Net of Debt	\$ 555,450	\$ 569,075
Unrestricted	<u>69,173</u>	<u>48,541</u>
Total Net Assets	<u>\$ 624,623</u>	<u>\$ 617,616</u>
Revenue		
Property Taxes	\$ 208,885	\$ 196,733
Grants	28,368	106,653
Other	<u>100,962</u>	<u>97,200</u>
Total Revenues	338,215	400,586
Expenses		
Library Services	<u>(331,208)</u>	<u>(393,860)</u>
Total Expenses	<u>(331,208)</u>	<u>(393,860)</u>
Change in Net Assets	<u>\$ 7,007</u>	<u>\$ 6,726</u>

The Library as a Whole

? The Library's net assets increased by \$7,007 in 2007 compared to an increase of \$6,726 in 2006.

The Library's primary source of revenue is property taxes, which represent 62% of total
? revenues for 2007 compared to 49% for 2006.

Salaries, payroll taxes and fringe benefits are a significant expense of the Library, representing
? 63% of total expenses for 2007 compared to 57% in 2006.

Depreciation expense for the current year represented 14% of the Library's total expenses for
? 2007 compared to 24% for 2006.

The Library's Funds

Our analysis of the Library's major funds is included on pages 5, 6 and 7 in the first column of the respective statements. The fund columns provide detailed information about the most significant funds, not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as property tax millages. The Library's major funds consist of the General Fund and the Capital Projects Fund.

The fund balance of the General Fund increased during the year by \$12,315 as opposed to a decrease in the prior year of \$63,392. The large decrease in the prior year was largely caused by transferring (back to the Capital Projects Fund) the amount necessary to complete the Wilcox property purchase that was in escrow at June 30, 2005.

Management's Discussion and Analysis (Continued)

The fund balance of the Capital Projects Fund at June 30, 2007 was \$521. This is the amount that is left in the checking account. There will not be much activity in this fund until a millage for a new building is passed.

Salaries and fringe benefits were the largest use of resources during the current fiscal year.

Library's Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in grant revenues and books & materials.

Capital Asset and Debt Administration

At June 30, 2007, the Library had \$1,292,041 invested in land, buildings, furniture and equipment, and books and materials. The Library added \$27,428 in new equipment and collection items during the current year. This entire amount consisted of new collection items including books, various audio/visual materials and additions to the music collection.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to demonstrate the Library's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Librarian of the White Cloud Community Library, P.O. Box 995, White Cloud, MI 49349-0995.

WHITE CLOUD COMMUNITY LIBRARY

Governmental Fund Balance Sheet/Statement of Net Assets
June 30, 2007

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments*</u>	<u>Statement of Activities</u>
ASSETS					
Cash	\$ 60,341	\$ 521	\$ 60,862	\$ -	\$ 60,862
Due from Other Governments	24,206	-	24,206	-	24,206
Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>584,750</u>	<u>584,750</u>
Total Assets	<u><u>\$ 84,547</u></u>	<u><u>\$ 521</u></u>	<u><u>\$ 85,068</u></u>	584,750	<u><u>\$ 669,818</u></u>
LIABILITIES & FUND EQUITY					
Liabilities					
Accounts Payable	\$ 5,921	\$ -	\$ 5,921	-	\$ 5,921
Deferred Revenue	8,780	-	8,780	-	8,780
Accrued Compensated Absences	-	-	-	1,194	1,194
Note Payable - Deur	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,300</u>	<u>29,300</u>
Total Liabilities	14,701	-	14,701	30,494	45,195
Fund Balance/Net Assets					
Fund Balances					
Unreserved, reported in:					
General Fund	69,846	-	69,846	(69,846)	-
Capital Projects Fund	<u>-</u>	<u>521</u>	<u>521</u>	<u>(521)</u>	<u>-</u>
Total Fund Balances	<u>69,846</u>	<u>521</u>	<u>70,367</u>	(70,367)	-
Total Liabilities and Fund Balance	<u><u>\$ 84,547</u></u>	<u><u>\$ 521</u></u>	<u><u>\$ 85,068</u></u>		
Net Assets					
Invested in Capital Assets - Net of Related Debt				555,450	555,450
Unrestricted				<u>69,173</u>	<u>69,173</u>
Total Net Assets				<u><u>\$ 624,623</u></u>	<u><u>\$ 624,623</u></u>

* Notes to the Financial Statements provide the details for main components of the adjustments.

The Notes to the Financial Statements are an integral part of this statement.

WHITE CLOUD COMMUNITY LIBRARY

Statement of Governmental Revenue, Expenditures and
Changes in Fund Balance/Statement of Activities
June 30, 2007

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments*</u>	<u>Statement of Activities</u>
REVENUE					
Local Sources					
Property Taxes	\$ 208,885	\$ -	\$ 208,885	\$ -	\$ 208,885
Charges for Services	23,620	-	23,620	-	23,620
Grants	28,368	-	28,368	-	28,368
Penal Fines	43,450	-	43,450	-	43,450
Interest	126	1	127	-	127
Video, Copy and Fax Fees	9,608	-	9,608	-	9,608
Fines	8,903	-	8,903	-	8,903
Donations & Memorials	4,346	209	4,555	-	4,555
Other	3,952	-	3,952	-	3,952
Total Local Sources	331,258	210	331,468	-	331,468
State Sources - State Aid	6,747	-	6,747	-	6,747
Total Revenue	338,005	210	338,215	-	338,215
EXPENDITURES					
Salaries and Wages	163,257	-	163,257	-	163,257
Payroll Taxes	13,196	-	13,196	-	13,196
Fringe Benefits	35,328	-	35,328	(3,527)	31,801
Books and Materials	27,428	-	27,428	(27,428)	-
Utilities and Telephone	10,554	-	10,554	-	10,554
Repairs and Maintenance	17,191	-	17,191	-	17,191
Insurance	3,484	-	3,484	-	3,484
Capital Outlay	5,655	-	5,655	-	5,655
Professional and Contracted Services	22,935	-	22,935	-	22,935

Programs	1,420	-	1,420	-	1,420
Office Supplies	6,903	-	6,903	-	6,903
Postage	1,492	-	1,492	-	1,492
Operating Supplies	1,052	-	1,052	-	1,052
Miscellaneous	4,297	-	4,297	-	4,297
Depreciation	-	-	-	47,403	47,403
Debt Service - Principal	29,000	6,350	35,350	(35,350)	-
- Interest	1,092	-	1,092	(524)	568
	<u>344,284</u>	<u>6,350</u>	<u>350,634</u>	<u>(19,426)</u>	<u>331,208</u>
Total Expenditures					
Excess Revenue Over (Under) Expenditures	(6,279)	(6,140)	(12,419)	19,426	7,007
Other Financing Resources (Uses)					
Transfers In	-	6,406	6,406	(6,406)	-
Transfers Out	(6,406)	-	(6,406)	6,406	-
Proceeds from Debt	25,000	-	25,000	(25,000)	-
	<u>12,315</u>	<u>266</u>	<u>12,581</u>	<u>(5,574)</u>	<u>7,007</u>
Change in Fund Balance/Net Assets					
Fund Balance/Net Assets - July 1, 2006	57,531	255	57,786	559,830	617,616
Fund Balance/Net Assets - June 30, 2007	<u>\$ 69,846</u>	<u>\$ 521</u>	<u>\$ 70,367</u>	<u>\$ 554,256</u>	<u>\$ 624,623</u>

* Notes to the Financial Statements provide the details for main components of the adjustments.

The Notes to the Financial Statements are an integral part of this statement.

WHITE CLOUD COMMUNITY LIBRARY

Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the White Cloud Community Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies:

1. REPORTING ENTITY

The White Cloud Public Library was organized in 1955 to provide library services for the White Cloud area. In 1998, the Library was re-established as a District Library when the City of White Cloud, Everett Township, Merrill Township, and the White Cloud Public Schools filed resolutions under Public Act 24. The Library's Board consists of eight board members appointed by the participating governments. The White Cloud Community Library is a separate reporting entity.

The financial statements include all activities of the Library. There are no governmental departments, agencies, institutions, commissions, public authorities or organizations within the Library, which its appointed officials may exercise oversight responsibility, that have been excluded. Oversight responsibility is considered to be derived from the Library's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability of fiscal matters.

Also, using the same criteria above, the Library's financial statements include the accounts of all Library operations.

2. 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 and non-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 grantor or 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. The Library's net assets are reported in three parts-investing in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The effect of interfund activity has been eliminated from the government-wide financial statements. Also, there are no fiduciary funds included in the government-wide statements.

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 are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are record only when payment is due.

Property taxes, State Shared Revenue, Penal Fines and interest are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues arise when resources are received by the Library before it has met all of the eligibility requirements imposed by the grantor or provider.

The Library reports the following major governmental funds:

General Fund - The General Fund accounts for all resources used to finance the Library's maintenance and operation except those required to be accounted for in other funds.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary or trust funds.

3. CAPITAL ASSETS

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000. 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 that do not add to the value of the asset or materially extend assets lives are expenses as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Library Books and Materials	3 - 10 Years

4. PROPERTY TAXES

Property taxes are levied on December 1st based on the taxable valuation of the property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year. The Townships and City bill and collect the property taxes.

5. CASH AND EQUIVALENTS

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, if any, with original maturities of three months or less from date of acquisition.

6. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. 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.

7. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

8. COMPENSATED ABSENCES

It is the Library's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Library employees are granted vacation and sick leave in varying amounts based on length on service. Upon termination, employees are paid accumulated vacation at full rates and accumulated sick leave at one-half their rate of pay. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for this amount is reported in the general fund.

9. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

10. 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.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by the Board.

Notes to the Financial Statements (continued)

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2007, the Library did incur material overexpenditures in the general fund:

<u>Budget Item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>General Fund</u>			
Debt Service - Principal	\$ 24,000	\$ 29,000	\$ (5,000)
Transfers Out	\$ -	\$ 6,406	\$ (6,406)
<u>Capital Projects Fund</u>			
Debt Service - Principal	\$ -	\$ 6,350	\$ (6,350)

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a functional basis. The approved budget for this budgetary fund was adopted at the line item level.

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Library is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature 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 which are legal for direct investment by local units of government in Michigan.

The Library's funds are held at Independent Bank of West Michigan and are carried at cost. At June 30, 2007, they consisted of the following:

	<u>Carrying Value</u>	<u>Market Value</u>
NOW Checking	\$ 57,623	\$ 58,106
NOW Checking - Payroll	2,718	2,718
Business Checking Plus - Building	521	521
Total Deposits	<u>\$ 60,862</u>	<u>\$ 61,345</u>
FDIC Insured	\$ 60,862	\$ 61,345
Uninsured	-	-
Total Deposits	<u>\$ 60,862</u>	<u>\$ 61,345</u>

Notes to the Financial Statements (continued)

NOTE D DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grants	\$ -	\$ 8,780

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated:				
Land	\$ 61,675	\$ -	\$ -	\$ 61,675
Capital Assets Being Depreciated:				
Library Collection	529,850	27,428	(13,328)	543,950
Buildings & Improvements	382,000	-	-	382,000
Construction in Progress	149,918	-	-	149,918
Equipment & Furniture	154,498	-	-	154,498
Total at Historical Cost	1,216,266	27,428	(13,328)	1,230,366
Less Accumulated Depreciation:				
Library Collection	484,888	33,289	(13,328)	504,849
Buildings & Improvements	46,698	7,666	-	54,364
Equipment & Furniture	141,630	6,448	-	148,078
Total Accumulated Depreciation	673,216	47,403	(13,328)	707,291
Net Capital Assets Being Depreciated	543,050	(19,975)	-	523,075
Total Governmental Activities Capital Capital Assets - Net of Depreciation	<u>\$ 604,725</u>	<u>\$ (19,975)</u>	<u>\$ -</u>	<u>\$ 584,750</u>

Depreciation expense for the year ended June 30, 2007 was \$47,403.

NOTE F CHANGES IN SHORT-TERM DEBT

During 2005, the Library entered into a short-term note payable for the purpose of purchasing property for the site of a new library. The note required a \$1,000 down payment and was due within six months. A contingency clause was included that required monthly payments of \$200 at 0% interest if the bond issue for a new library did not pass. As the bond issue was not passed, this debt has become long-term debt.

During the year ended June 30, 2006, the Library borrowed money from Independent Bank to assist cash flow needs due to public relations expenses as well as other expenses related to continued efforts to pass a bond issue for a new library building. The promissory note was signed November 29, 2005 and was due in full with interest at 7% on November 29, 2006. During the year ended June 30, 2007, the line was extended and an additional \$25,000 was borrowed for temporary financing. The note was paid off on March 26, 2007.

Short-term debt outstanding, July 1, 2006	\$ 4,000
Debt added during the year	25,000
Debt retired during the year	<u>(29,000)</u>
Short-term debt outstanding - June 30, 2007	<u>\$ -</u>

NOTE G CHANGES IN LONG-TERM DEBT

During 2005, the Library entered into a short-term note payable for the purpose of purchasing property for the site of a new library. The note required a \$1,000 down payment and was due within six months. However, as the bond issue did not pass, this debt was converted to long-term debt in the current year. The debt is payable in monthly payments of \$200 with no interest being charged.

Long-term debt outstanding, July 1, 2006	\$ 35,650
Debt retired during the year	<u>(6,350)</u>
Long-term debt outstanding - June 30, 2007	<u>\$ 29,300</u>

Amounts required to amortized the debt are as follows:

Fiscal Year	Interest Rate	Outstanding 6/30/2006	Interest if Held to Maturity	Amount of Annual Maturity
6/30/2008	0%	\$ 2,400	\$ -	\$ 2,400
6/30/2009	0%	2,400	-	2,400
6/30/2010	0%	2,400	-	2,400
6/30/2011	0%	2,400	-	2,400
6/30/2012	0%	2,400	-	2,400
Remaining	0%	<u>17,300</u>	-	<u>17,300</u>
Total		<u>\$ 29,300</u>	<u>\$ -</u>	<u>\$ 29,300</u>

NOTE H INTERFUND TRANSFERS

	Transfers In		Total
	General Fund	Capital Projects Fund	
Transfers (Out):			
General Fund	\$ -	\$ 6,406	\$ 6,406
Capital Projects Fund	(6,406)	-	(6,406)
Total	<u>\$ (6,406)</u>	<u>\$ 6,406</u>	<u>\$ -</u>

NOTE I ENDOWMENT FUND

The Fremont Area Community Foundation holds two endowment funds which have been earmarked for the White Cloud Community Library. The values of the endowment funds as of the Foundation's most recent year end's are as follows:

	12/31/2007	12/31/2006
White Cloud Community Library Fund	\$ 35,113	\$ 31,060
Ronald Goldston Fund	7,756	7,108
Total	<u>\$ 42,869</u>	<u>\$ 38,168</u>

NOTE J RETIREMENT PLAN

Description of Plan and Plan Assets - The Library is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: Normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report the includes financial statements and required supplementary information for notes to the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, MI 48917-9755.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by the Library's personnel policy, which does not require employees to contribute to the plan. The Library is required to contribute at an actuarially determined rate; the rate was 14.82 percent as of July 1, 2006.

Annual Pension Cost - During the fiscal year ended June 30, 2007, the Library's contributions totaling \$16,831 were made in accordance with contribution requirements. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increase of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

GASB 25 and GASB 27 Information - The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27.

All entries and the annual employer contribution amount were based on the actuarial methods and assumptions used in the December 31, 2006 actuarial valuations. The entry age normal actuarial method was used to determine the entries at disclosure.

<u>GASB 25 Information</u>	As of
Actuarial Accrued Liability	<u>12/31/2006</u>
Retirees and beneficiaries currently receiving benefits	\$ -
Terminated employees not yet receiving benefits	16,813
Current Employees	
Accumulated employee contributions including allocated investment income	35,265
Employer Financed	<u>226,525</u>
Total Actuarial Accrued Liability (b)	278,603
Net Assets Available for Benefits at Actuarial Value (Market Value is \$230,564) (a)	<u>227,383</u>
Unfunded (Over funded) Actuarial Accrued Liability	<u><u>\$ 51,220</u></u>

GASB 27 Information

Fiscal Year Beginning	July 1, 2008
Annual Required Contribution (ARC)	14,352
Amortized Factor Used	0.054719

Trend Information			
Fiscal Period Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2003	11,145	100%	-
June 30, 2004	13,145	100%	-
June 30, 2005	17,761	100%	-
June 30, 2006	15,298	100%	-
June 30, 2007	16,831	100%	-

Schedule of Funding Progress						
Actuarial Valuation 12/31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As a % of Covered Payroll ((b-a)/c)
2002	\$ 81,764	\$ 150,678	\$ 68,914	54.30%	\$ 76,312	90.30%
2003	137,743	206,593	68,850	66.70%	74,109	92.99%
2004	161,622	210,304	48,682	76.90%	85,272	57.09%
2005	195,957	252,909	56,952	77.48%	90,281	63.08%
2006	227,383	278,603	51,220	81.62%	112,639	45.47%

NOTE K DEFERRED COMPENSATION PLAN

The Library offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Library employees, permits deferral of a portion of earnings until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Library (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Library's general creditors. Participant rights under the plan are equal to those of general creditors of the Library in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the Library that the Library has no liability for losses under the plan but does have the duty of due care that would be required for an ordinary prudent investor.

NOTE L RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Library maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Library. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE M RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net assets and the statement of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change 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	\$ 70,367
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	584,750
Notes payable are not due and payable in the current period and are not reported in the funds	(29,300)
Compensated absences are included as a liability	<u>(1,194)</u>
Net Assets of General Fund - Full Accrual Basis	<u><u>\$ 624,623</u></u>
Net Change in Fund Balances - Modified Accrual Basis	\$ 12,581
Amounts reported in the statement of activities are different because:	
Capital outlays are reported as expenditures in the statement of revenues, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Library Books and Materials	27,428
Depreciation	(47,403)
Proceeds from debt reported as revenue in the fund statements, not in the financial statements	(25,000)
Note payable principal payments are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	35,874
Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements	<u>3,527</u>
Change in Net Assets of General Fund - Full Accrual Basis	<u><u>\$ 7,007</u></u>

WHITE CLOUD COMMUNITY LIBRARY

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2007

REVENUE	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Local Sources				
Property Taxes	\$ 196,000	\$ 204,000	\$ 208,885	\$ 4,885
Charges for Services	18,500	20,000	23,620	3,620
Grants	36,500	33,225	28,368	(4,857)
Penal Fines	42,000	43,449	43,450	1
Interest	550	120	126	6
Video, Copy and Fax Fees	9,700	10,050	9,608	(442)
Fines	10,000	9,000	8,903	(97)
Donations & Memorials	3,500	4,200	4,346	146
Other	9,300	3,200	3,952	752
	<u>326,050</u>	<u>327,244</u>	<u>331,258</u>	<u>4,014</u>
Total Local Sources				
State Sources - State Aid	6,607	6,607	6,747	140
	<u>332,657</u>	<u>333,851</u>	<u>338,005</u>	<u>4,154</u>
EXPENDITURES				
Salaries and Wages	163,613	166,302	163,257	3,045
Payroll Taxes	13,075	13,200	13,196	4
Fringe Benefits	38,900	34,130	35,328	(1,198)
Books and Materials	39,369	33,100	27,428	5,672
Utilities and Telephone	10,350	13,050	10,554	2,496
Repairs and Maintenance	16,600	20,100	17,191	2,909
Insurance	3,500	3,484	3,484	-
Capital Outlay	3,500	4,000	5,655	(1,655)
Professional and Contracted Services	25,500	25,000	22,935	2,065
Programs	2,650	3,250	1,420	1,830
Office Supplies	8,600	7,700	6,903	797
Postage	1,400	1,500	1,492	8
Operating Supplies	1,000	1,000	1,052	(52)
Miscellaneous	4,600	2,650	4,297	(1,647)
Debt Service - Principal	4,000	24,000	29,000	(5,000)
- Interest	1,000	1,000	1,092	(92)
	<u>337,657</u>	<u>353,466</u>	<u>344,284</u>	<u>9,182</u>
Excess Revenue Over (Under) Expenditures	(5,000)	(19,615)	(6,279)	(5,028)
Other Financing Resources (Uses)				
Transfers Out	-	-	(6,406)	(6,406)
Proceeds from Debt	-	-	25,000	25,000
	<u>5,000</u>	<u>(19,615)</u>	<u>18,594</u>	<u>(14,012)</u>
Change in Fund Balance	<u>\$ (5,000)</u>	<u>\$ (19,615)</u>	<u>12,315</u>	<u>\$ 13,566</u>
Fund Balance - July 1, 2006			<u>57,531</u>	
Fund Balance - June 30, 2007			<u>\$ 69,846</u>	

WHITE CLOUD COMMUNITY LIBRARY

Required Supplementary Information
 Budgetary Comparison Schedule - Capital Projects Fund
 For the Year Ended June 30, 2007

REVENUE	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Donations & Memorials	\$ -	\$ -	\$ 209	\$ 209
Interest	-	-	1	1
Total Revenue	-	-	210	210
EXPENDITURES				
Debt Service - Principal	-	-	6,350	(6,350)
Total Expenditures	-	-	6,350	(6,350)
Excess Revenue Over (Under) Expenditures	-	-	(6,140)	6,560
Other Financing Resources (Uses)				
Transfers In	-	-	6,406	6,406
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	266	<u>\$ 12,966</u>
Fund Balance - July 1, 2006			<u>255</u>	
Fund Balance - June 30, 2007			<u>\$ 521</u>	

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

October 15, 2007

Library Board
White Cloud Community Library
White Cloud, MI 49349

Dear Board Members:

We would like to thank you for the opportunity to provide our auditing services. It was again a pleasure working with members of White Cloud Community Library during the audit engagement.

A recent change in auditing standards (SAS 112 - *Communicating Internal Control Related Matters Identified in an Audit*) now requires that we provide a new letter, which we have included, that focuses on the internal controls over financial reporting.

In addition to the letter referenced above, we also reviewed the Library's accounting procedures as of and for the year ended June 30, 2007, and offer the following comments and recommendations:

PRIOR YEAR RECOMMENDATIONS BUDGETING

During our prior audit, we noted that the Library was not properly amending its budget for expenditures which were not expected at the time of adopting the original budget. While the Board did amend the budget at different times throughout the current year, these amendments did not eliminate all unfavorable variances. For example, the transfers to the Capital Projects Fund was not budgeted for and the amount budgeted for debt was not sufficient enough to cover the debt payment. We recommend that the Board keep an even closer eye on the amounts they are expending and amend the budget where necessary in order to avoid over-expending the budget.

CAPITALIZATION POLICY

We also previously noted that the Board needed to adopt a capitalization policy that identifies the minimum dollar value of fixed assets which should be accounted for and inventoried for financial statement reporting purposes. We noted that the Board has adopted this policy during the current year.

Grand Rapids
3986 Lake Michigan Dr. NW
Grand Rapids, MI 49546
Phone (616) 453-8551
Fax (616) 453-9352

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231)-798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

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INTERFUND TRANSFERS

While the Library has a separate checking account for both the General Fund and Capital Projects Fund, the General Fund account is the one primarily used. Often, when a building-related expense needs to be paid, it is paid from the General Fund checking and the bookkeeper records an interfund transfer to balance the funds.

We suggest that the Library make an actual cash transfer to the Capital Projects Fund checking from the General Fund checking and then pay the expense out of the Capital Projects Fund checkbook. We noted that the transfers were being made and the expenses were paid out of the correct checkbook.

CURRENT YEAR RECOMMENDATIONS

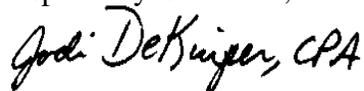
CAPITAL PROJECTS FUND BUDGET

The Capital Projects Fund, as a separate fund from the General Fund, is required to have a budget prepared each year. We recommend that the Board prepare a budget for the Capital Projects Fund and make amendments as needed throughout the year.

This report is intended solely for the information and use of the White Cloud Community Library's management and the board members. This restriction is not intended to limit distribution of this report, which is a matter of public record.

We appreciate the courtesy extended to us during our audit. We are available year round to assist in the implementation of any of the recommendations set forth in this letter or to answer any question regarding the audit.

Respectfully submitted,



Jodi DeKuiper, CPA
Hendon & Slate, P.C.

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Library Board,
White Cloud Community Library
Newaygo County
White Cloud, MI 49349

In planning and performing our audit of the financial statements of the White Cloud Community Library as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the White Cloud Community Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an 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 White Cloud Community Library's internal control.

Our consideration of the 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 .

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 affect 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. We consider the following deficiencies to be significant deficiencies in internal control.

Anti-Fraud Program

The Library has not adopted an Anti-Fraud Program as required by SAS 99 (see Attached).

Grand Rapids
3986 Lake Michigan Dr. NW
Grand Rapids, MI 49546
Phone (616) 453-8551
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Controls over Non-Routine and Non-Systematic Transactions

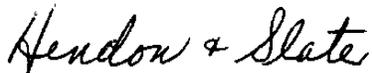
The Library does not have controls in place whereby journal entries are reviewed by individuals independent of the person initiating the transactions.

Controls over the Selection and Application of Accounting Principles that are in Conformity with Generally Accepted Accounting Principles

The Library currently does not have personnel available with sufficient expertise to select and apply the accounting principles necessary to prepare the financial statements and note disclosures contained in the audit report.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.
Certified Public Accountants
September 19, 2007