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LOCAL AUDIT & FINANCE DIV.

CROOKED TREE DISTRICT LIBRARY

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

CROOKED TREE DISTRICT LIBRARY

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Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type	Local Government Name	County
☐ City ☐ Township ☐ Village ☒ Other	Crooked Tree District Library	Charlevoix

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
6-30-05	8-29-05	9-6-05

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name)			
Daniel R. Nieland, C.P.A.			
Street Address	City	State	ZIP
201 South Main Street	Cheboygan	MI	49721
Accountant Signature		Date	

DANIEL R. NIELAND

CERTIFIED PUBLIC ACCOUNTANT

201 SOUTH MAIN STREET
CHEBOYGAN, MICHIGAN 49721
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MEMBER
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INDEPENDENT AUDITOR'S REPORT

August 29, 2005

Board of Directors
Crooked Tree District Library
Walloon Lake, Michigan

I have audited the accompanying financial statements of the governmental activities and the General Fund of Crooked Tree District Library as of and for the year ended June 30, 2005, which collectively comprise of the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District Library's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit 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. Those standards require that I 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, evaluating the overall financial statement presentation. I believe that our audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Crooked Tree District Library as of June 30, 2005, and the respective changes in financial position, and respective budgetary comparison for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, along with all related statements and interpretations, as of July 1, 2004.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 29, 2005, on my consideration of the Library's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information (identified in the table of contents) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

Daniel R Heilmann
CERTIFIED PUBLIC ACCOUNTANT

Cheboygan, Michigan 49721

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNEMNT AUDITING STANDARDS*

August 31, 2005

Board of Directors
Crooked Tree District Library
Walloon Lake, Michigan

I have audited the financial statements of Crooked Tree District Library as of and for the year ended June 30, 2005, and have issued my report thereon dated August 29, 2005. I conducted my audit 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.

Compliance

As part of obtaining reasonable assurance about whether Crooked Tree District Library's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*.

The Library was in noncompliance with its operating budget for the general fund.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Crooked Tree District Library's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the

internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors and management of the Library and is not intended to be and should not be used by anyone other than these specified parties.

CERTIFIED PUBLIC ACCOUNTANT

Cheboygan, Michigan 49721

CROOKED TREE DISTRICT LIBRARY

LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR JULY 2004 – JUNE 2005

The MD&A is intended to serve as an overview analysis of the financial condition and operating results of the Library.

Please direct your questions regarding this report to:

Susan Conklin, Library Director
Crooked Tree District Library
2203 Walloon Street
P. O. Box 518
Walloon Lake, Michigan 49796
Phone: 231-549-2277

CROOKED TREE DISTRICT LIBRARY

MANAGEMENT DISCUSSION AND ANALYSIS FY 2004 – 2005

Relationship of Financial Statements

The basic financial statements contained herein include information that presents two different views of the Library using the modified-accrual and full accrual methods.

The individual fund balance sheet/statement of net assets and liabilities and the individual fund statement of revenue, expenditures and changes in fund balance include information about the Library's General Fund under the modified-accrual method.

The modified-accrual method focuses on current financial resources. The full accrual method focuses on long-term economic resources and presents a statement of not only how services were financed in the short term, but also what remains for future spending. Under the former system, capital outlay is an expense. Under the latter system, capital outlay is capitalized as an asset, resulting in a statement of more net profit.

As this is the first year of the Library's management discussion and analysis report, this year's report does not show comparative data to previous years. In future years, the report will include this information. This is consistent with the *Government Accounting Standards Board Statement Number 34.*

Library As A Whole

The Library's primary income comes from millage and penal fines. Property taxes are levied in both Boyne Valley and Mellrose Townships at .2735 mills. Penal fines are received from Charlevoix and Antrim Counties. These sources account for 79% of all revenue received.

Salaries and payroll taxes accounted for 47% of total expenditures. Depreciation of fixed assets accounted for 28% of expenditures. All other operating expenses accounted for 25% of total expenses. There are currently no employee benefit plans in place.

Budgeting Highlights

Over the course of the year the Library Board of Trustees amended the budget to address unplanned needs that occurred during the year.

Capital Assets and Long-Term Debt Activity

At the end of the fiscal year, the Library had $902,191 invested in furniture, equipment, land and a building. The Library has a long-term lease for use of the library building with annual lease payments of one dollar.

CROOKED TREE DISTRICT LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS

Current Assets:	
Cash – Checking	$ 37,566
Certificate of Deposit	25,137
Total Current Assets	$ 62,703
Non-Current Assets:	
Capital Assets	902,191
Less: Accumulated Depreciation	(160,559)
Total Non-Current Assets	741,632
Total Assets	$804,335

LIABILITIES

Current Liabilities:	
Accounts Payable	$ 0
Total Current Liabilities	$ 0
Total Liabilities	$ 0

NET ASSETS

Invested in Capital Assets	$741,632
Unrestricted	62,703
Total Net Assets	$804,335

The accompanying notes are an integral part of these financial statements.

CROOKED TREE DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

				Governmental Activities
Functions/Programs –	Expenses	Charges For Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes In Net Assets
Governmental Activities:				
Library Services	$104,874	$ 527	$ 12,575	$(91,772)
General Revenues –				
Intergovernmntal:				
Property Tax				$ 44,127
State Aid				3,365
Penal Fines				19,511
Interest Income				819
Miscellaneous				154
Total General Revenues				67,976
Change In Assets				(23,796)
Net Assets – June 30, 2004				828,131
Net Assets – June 30, 2005				$804,335

The accompanying notes are an integral part of these financial statements.

CROOKED TREE DISTRICT LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

ASSETS

Current Assets:	
Cash – Checking	$ 37,566
Cash – Certificate of Deposit	25,137
Total Current Assets	$ 62,703
Total Assets	$ 62,703

LIABILITIES AND FUND BALANCE

Fund Balance	$ 62,703
Total Liabilities and Fund Balance	$ 62,703

The accompanying notes are an integral part of these financial statements.

CROOKED TREE DISTRICT LIBRARY
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

Fund Balance – Total Governmental Funds		$ 62,703
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:		
Capital Assets Used In Governmental Activities Are Not Financial Resources And Are Not Reported In The General Fund:		
Governmental Capital Assets	$ 902,191	
Less: Accumulated Depreciation	(160,559)	741,632
Net Assets – Governmental Activities		$804,335

The accompanying notes are an integral part of these financial statements.

CROOKED TREE DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

Revenues:	
Intergovernmental:	
Melrose Township	$ 22,375
Boyne Valley Township	21,752
State Aid Grants	3,365
Penal Fines – Charlevoix – Antrim	19,511
Total Intergovernmental	67,003
CCC Foundation	6,800
Interest Income	819
Miscellaneous	154
Fax, Copies, Etc.	527
Donations	1,775
Friends Of The Library	4,000
Total Revenues	81,078
Expenditures:	
Books, magazines, videos	8,445
Workshops	589
Northland Cooperative	1,680
Capital Outlay	5,272
Children's Programs	0
Computer Expense	917
Insurance	2,947
Internet Fees	1,050
Miscellaneous	347
Mileage	71
Office Supplies/Postage	1,809
Snow Removal/Lawn Care	874
Repair and Maintenance	2,442
Supplies	500
Salaries and Wages	45,419

The accompanying notes are an integral part of these financial statements.

CROOKED TREE DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

Expenditures: (Continued)	
Payroll Taxes	$ 3,475
Telephone	725
Utilities	4,181
Total Expenditures	80,743
Excess of Expenditures Over Revenues	335
Fund Balance – July 1, 2004	62,368
Fund Balance - June 30, 2005	$ 62,703

The accompanying notes are an integral part of these financial statements.

CROOKED TREE DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMNTAL FUNDS TO THE STATEMENT OF ACTIVITIES GOVERNMTNAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

Net Change In Fund Balances – Total Governmental Funds		$ 335
Amounts Reported For Governmental Activities In The Statement Of Activities Are Different Because:		
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities, The Cost Of Those Assets Is Depreciated Over Their Useful Lives:		
Expenditure For Capital Outlay	$ 5,272	
Less: Current Year Depreciation	(29,403)	(24,131)
Change In Net Assets Of Governmental Activities		$(23,796)

The accompanying notes are an integral part of these financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
The Crooked Tree District Library (the Library) serves primarily the residents of Melrose Township and Boyne Valley Township, Michigan. The Library operates under an appointed Board of Directors.

The criteria established for determining the various governmental organizations to be included in the Library's financial statements include oversight responsibility, scope of public service and special financing relationships. Accordingly, the financial statements of the Library contain all Library funds that are controlled by or dependent upon the Library's executive branch.

Measurement Focus, Basis of Accounting and Financial Statement Presentation
The Library's basic financial statements include both the Library as a whole and its individual fund financial statements.

Government-Wide Financial Statements-
The Library's 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, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The balance sheet 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 two parts; invested in capital assets and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

Amounts reported as program revenue include charges to patrons for the use of various Library assets and replacement, service and damage fees.

Fund Financial Statements-
The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental fund:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operation expenditures of the Library. Revenues are derived primarily from property taxes and other intergovernmental revenues.

Accounting Change – Effective July 1, 2004, the Library implemented the provisions of *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments (GASB No. 34)*, along with all related statements and interpretations. Changes to the Library's financial statements as a result of GASB No. 34 are as follows:

1. A management's Discussion and Analysis (MD&A) section providing analysis of the Library's overall financial position and results of operations has been included.

2. Library-wide financial statements (Statement of net assets and statement of activities) prepared using full accrual accounting for all of the Library's activities have been provided.

3. The fund financial statements focus on major funds rather than fund types.

NOTE A – SUMMRY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budget Accounting

The Library adopts a budget for its governmental type fund as required by Public Act 621 of the State of Michigan. The Library follows these procedures in establishing the budget as reflected in the financial statements:

1. Prior to the start of the fiscal year the Library Board prepared a preliminary budget.

2. During May, the budget is legally enacted through passage of a resolution. amendments to the budget can be made during the fiscal year, if necessary, by a simple majority vote of the Library Board.

3. The budget is adopted on a basis consistent with the modified accrual method of accounting.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. During the year ended June 30, 2005, the Library incurred expenditures in excess of the amount budgeted as follows:

For the General Fund:	Budget	Actual	Over Expended
Northland Cooperative	$ 1,250	$ 1,680	$ 430
Capital Outlay	4,000	5,272	1,272
Insurance	2,800	2,947	147
Telephone	500	725	225

Encumbrance System

The Library does not use an encumbrance system.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

General Fund – Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Details of capital assets are as follows:

	Cost	Accumulated Depreciation	Book Value	Life
Land	$ 97,200		$ 97,200	
Building	670,544	$ 94,564	575,980	39 years
Furniture and Fixtures	74,928	40,243	34,685	7 years
Machinery and Equipment	33,808	21,796	12,012	5 years
Leasehold Improvement	25,711	3,956	21,755	39 years
	$902,191	$160,559	$741,632	

Property Taxes – Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the County tax rolls on March 1. The total tax levy was based on a millage rate of .2735 and total State Taxable Valuation of approximately $165,864,420.

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

NOTE B – LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act 196, Public Acts of 1998 (effective December 30, 1998), states the Library, by resolution, may authorize the Chief Fiscal Officer to invest surplus funds as follows:

NOTE B – LEGAL OR CONTRACTUAL PROVISONS FOR DEPOSITS AND INVESTMENTS (Continued)

- In bonds and other direct obligation of the United States or an Agency or instrumentality of the United States.
- In certificates of deposits, savings accounts, deposit accounts, or depository receipts of a bank, but only if the financial institution complies with certain requirements included within the Act.
- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- In United States Government or Federal Agency obligation repurchase agreements
- In bankers' acceptances of United States banks.
- Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686.54 Stat. 739, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- Obligations described in subdivisions (a) through (g) if purchased through an inter-local agreement under the Urban Cooperation Act of 1967, 1967 PA 7, MCL 124.501 to 124.512.
- Investment pools organized under the Surplus Funds Investment Pool Act, 1981 PA 367, MCL 129.11 to 129.118.
- Investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Certain other restrictions also apply including a requirement for the Board of Directors to formally adopt an Investment Policy which includes specified matters.

NOTE C – RISK MANAGEMENT

The Library carries insurance coverage for property damage, liability, wrongful acts and crime claims. Also, the Library has purchased from a commercial carrier worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE D – TAX EXEMPT STATUS

Based upon a determination letter dated March 12, 1997, from the Internal Revenue Service, the Crooked Tree District Library is recognized as a Section 501(c) 3 Organization. Therefore, the Library is exempt from Federal Income Tax and charitable contributions are deductible for the donor to the extent allowed by law. This exempt status has, pursuant to relief granted under I.R.C. Section 301.9100-1, been made retroactive to June 23, 1977, the date the Organization was formed.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Intergovernmental:			
Melrose Township	$ 22,000	$ 22,375	$ 375
Boyne Valley Township	21,000	21,752	752
State Aid Grants	2,500	3,365	865
Penal Fines – Charlevoix-Antrim	19,200	19,511	311
Total Intergovernmental	64,700	67,003	2,303
CCC Foundation	6,800	6,800	0
Interest Income	730	819	89
Miscellaneous	0	154	154
Fax, Copies, Etc.	600	5,272	(73)
Donations	2,000	1,775	(225)
Friends of the Library	4,000	4,000	0
Total Revenues	78,830	81,078	2,248
Expenditures:			
Books, magazines, videos	9,300	8,445	855
Workshops	600	589	11
Northland Cooperative	1,250	1,680	(430)
Capital Outlay	4,000	5,272	(1,272)
Children's Programs	300	0	300
Computer Expense	1,000	917	83
Insurance	2,800	2,947	(147)
Internet Fees	1,500	1,050	450
Miscellaneous	451	347	104
Mileage	200	71	129
Office Supplies/Postage	1,900	1,809	91
Snow Removal/Lawn Care	1,200	874	326
Repair and Maintenance	3,100	2,442	658
Supplies	500	500	0
Salaries and Wages	45,700	45,419	281
Payroll Taxes	3,500	3,475	25
Telephone	500	725	(225)
Utilities	4,330	4,181	149

CROOKED TREE DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

(Continued)	Budget	Actual	Favorable (Unfavorable)
Total Expenditures	82,131	80,743	1,388
Excess of Expenditures Over Revenues	$ (3,301)	335	$ 3,636
Fund Balance – July 1, 2004		62,368	
Fund Balance - June 30, 2005		$ 62,703	

The accompany notes are an integral part
of these financial statements.

DANIEL R. NIELAND

CERTIFIED PUBLIC ACCOUNTANT

201 SOUTH MAIN STREET
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PUBLIC ACCOUNTANTS

August 29, 2005

Board of Directors
Crooked Tree District Library
Box 518
Walloon Lake, Michigan 49796

Re: Comments and Recommendations

I have examined the general purpose financial statements of the Crooked Tree District Library, for the year ended June 30, 2005, and have issued my report thereon dated August 29, 2005.

My examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting office *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. Solely to assist in planning and performing my examination, made a study and evaluation of the internal accounting controls of Crooked Tree District Library. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because I am not relying on the entity's internal accounting control procedures to restrict my substantive tests, my study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, I do not express an opinion on the system of internal accounting control taken as a whole. Also, my examination made in accordance with the standards mentioned above, would not necessarily disclose weaknesses in the system of internal accounting control.

This report and accompanying recommendations are intended solely for the use of management and should not be used for any other purpose.

The following is a recommendation regarding accounting matters:

> With regards to budgeting, it appears that the Board is attempting to approve a final budget which is very close to actual. This has resulted in some unfavorable variances. Revenue and expenditure budgets are not intended to balance to the penny; but rather provide a guideline for spending and framework for planning. With this in mind, revenue should be budgeting conservatively, which would be to the low side for revenue and expenditures should be slightly over budget to make room for unforeseen expense. Periodically, the budget should be reviewed to see if an amendment is necessary. This was also commented on in the prior audit.

If you have questions regarding this letter or the audited financial statements, please don't hesitate to call.

Sincerely,

Daniel R. Nieland, C.P.A.

DRN/jb