Portland District Library

Financial Statements
With Supplemental Information
June 30, 2005

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LOCAL AUDIT & FINANCE DIV.

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	Portland District Library	Ionia

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
6/30/05	12/28/05	12/30/05

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.			✔
Reports on individual federal financial assistance programs (program audits).			✔
Single Audit Reports (ASLGU).			✔

Certified Public Accountant (Firm Name)			
Biggs, Hausserman, Thompson, & Dickinson PC			
Street Address	City	State	ZIP
356 E. Main Street	Saranac	MI	48881
Accountant Signature [signature] CPA		Date 12/30/05	

Portland District Library

June 30, 2005

Contents

	PAGE
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government - Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Fund Balances of Governmental Funds to Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to Financial Statements	16-22
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	23
Other Supplemental Information	
Schedules of Indebtedness	24

Independent Auditor's Report

BHT&D Biggs, Hausserman, Thompson & Dickinson P.C.
Certified Public Accountants

Independent Auditor's Report

To the Library Board
Portland District Library
Portland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portland District Library as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of Portland District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Portland District Library as of June 30, 2005 and respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 24 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

356 East Main Street • P.O. Box 60 • Saranac, Michigan 48881
Phone 616.642.9467 • Fax 616.642.6406
E-mail cpa@bhtdpc.com

477 Pettis SE • P.O. Box 8 • Ada, Michigan 49301
Phone 616.676.9084 • Fax 616.676.9087
Web www.bhtdcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Portland District Library's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Biggs, Hausserman, Thompson + Dickinson

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

December 28, 2005

Management's Discussion and Analysis

Portland District Library

Management's Discussion and Analysis
June 30, 2005

This section of the Portland District Library's annual financial report represents our discussion and analysis of the Library financial performance and is intended to assist the reader in focusing on significant financial issues, provide an overview of the Library's financial activity, identify changes in the Library's financial position and its ability to address the next and subsequent year challenges. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2005.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Portland District Library financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Library, presenting both an aggregate view of the Library finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant funds, the General Fund, Capital Projects Fund, and Debt Retirement Fund with all other funds presented in one column as nonmajor funds. The annual report is organized as follows:

Management's Discussion & Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements | *Fund Financial Statements*

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Reporting the Library as a Whole - Government-wide Financial Statements

One of the most important questions asked about the Library is, "Is the Library as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Library's financial statements, report information on the Library as a whole and its activities in a way that helps you answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting,* which is similar to the accounting used by most private-sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Library's net assets- the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the Library's financial health, or financial position. Over time, increases or decreases in the Library's net assets - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Library's operating results. However, the Library's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the information provided.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Library, which encompass all of the Library's services. Property taxes and State penal fines finance most of these activities.

Reporting the Library Most Significant Funds – Fund Financial Statements

The Library's fund financial statements provide detailed information about the most *significant funds* - not the Library as a whole. Some funds are required to be established by State law and by bond covenants. However, the Library establishes many other funds to help it control and manage money for particular purposes (like the Capital Projects Fund) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Library use the following accounting approach:

> Governmental funds - All of the Library's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the operations of the Library and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds in a* reconciliation.

The Library As A Whole

The Statement of Net Assets provides the perspective of the Library as a whole. Table 1 provides a summary of the Library net assets as of June 30, 2005 and 2004:

Table 1:

Net Assets

	Governmental Activities	
	2005	2004
Current and other assets	$ 723,152	$ 3,515,795
Capital assets	3,810,603	825,566
Total assets	4,533,755	4,341,361
Current and other liabilities	258,972	220,265
Long-term liabilities	2,760,000	2,845,000
Total liabilities	3,018,972	3,065,265
Net assets		
Invested in capital assets, net of related debt	965,603	(2,089,434)
Restricted debt service	93,816	92,902
Restricted - capital projects	113,306	2,649,197
Unrestricted	342,058	623,431
Total net assets	$ 1,514,783	$ 1,276,096

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Library governmental activities is discussed below. The Library's net assets were $1,514,783 at June 30, 2005. Invested in capital assets, net of related debt totaling $965,603 compares the original cost, less depreciation of the Library capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approval property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Library's ability to use those net assets for day-to-day operations. The remaining amount of net assets $342,058 was unrestricted.

The $346,860 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Library as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for fiscal year 2005 and 2004.

Statement of Activities Summary

TABLE 2

	Governmental Activities	
	2005	2004
Revenues		
Program revenues		
Charges for services	$ 7,042	$ 11,849
Grants and Catagoricals	5,731	13,438
General Revenues		
Property taxes	411,764	400,279
Penal fines	91,146	92,829
Other general revenues	80,497	57,412
Total revenues	596,180	575,807
Functions/Program Expenses		
Culture and recreation	238,602	208,447
Interest on long-term debt	108,891	73,148
Total expenses	347,493	281,595
Increase (decrease) in net assets	$ 248,687	$ 294,212

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was $347,493. Certain activities were partially funded by those who benefited from service ($7,042), governments and organizations that subsidized certain programs with grants and catagoricals ($9,731). We paid for the remaining "public benefit" portion of our governmental activities with $411,764 in taxes, $91,146 in state penal fines, and with our other revenues, like interest and other revenues.

The Library experienced an increase in net assets of $248,687.

As discussed above, the net cost shows the financial burden that was placed on the State and the Library taxpayers. Since property taxes for operations and penal fines constitute the vast majority of Library's operating revenue sources, the Library Board and Administration must annually evaluate the needs of the Library and balance those needs with anticipated available State unrestricted resources.

The Library Funds

As we noted earlier, the Library uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the Library is being accountable for the resources taxpayers and others provide to it but may also give you more insight into the Library overall financial health.

The Library Funds – (Continued)

As the Library completed this year; our governmental funds reported a combined fund balance of $567,085, which is a decrease of $2,816,643 from last year.

The general fund's fund balance shows a decrease of $136,371. This is due to a $256,000 transfer to the capital projects for the Library expansion project.

The capital projects funds showed a decrease of approximately $2,679,894. This is due to the expenditures for the expansion and renovation of the existing Library building.

The debt service funds showed an increase of approximately $622. Millage rates are determined annually to ensure that the Library accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

The Uniform Budget Act requires that the Board approve the original budget for the upcoming year prior to July 1.

Over the course or the year, the Library's practice is to revise the budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure expenditures do not exceed appropriations.

The Library amended their budget once during the fiscal year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2005, the Library had $3,810,603 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

Capital Assets at Year-end

	June 30	
	2005	2004
Land and Buildings	$ 3,605,397	$ 100,000
Work in process	0	549,184
Furniture and equipment	205,206	166,382
Total capital assets	$ 3,810,603	$ 815,566

Capital Asset and Debt Administration – (Continued)

Capital Assets – (Continued)

The 2004-2005 fiscal year saw the completion of the new $3.6 million library addition and renovation. The upcoming year will not see significant capital improvements. We present more detailed information about our capital assets in the Notes to the Financial Statements.

Debt

At the end of this year, the Library had $2,845,000 in bonds outstanding versus $2,915,000 last year – a decrease of $70,000. Those bonds consisted of:

Outstanding Debt at Year-end

	June 30, 2005	June 30, 2004
General obligation bonds	$ 2,845,000	$ 2,915,000

We present more detailed information about our long-term liabilities in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets And Rates

The library's main funding sources of operating property tax millage and state penal fines generally constitutes 90% of the revenue received by the library. This is not expected to change during the upcoming year.

The library completed a $3.6 million expansion and renovation project. Some operating costs will increase due to this expansion, but will provide better accessibility and allow additional hours and activities to be available.

Contacting the Library Financial Management

This financial report is designed to provide the Library's citizens, taxpayers, customers, and investors and creditors with a general overview of the Library finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Jan Mosser
Librarian
Portland District Library
334 Kent Street
Portland, MI 48875
(517) 647-6981

Governmental – Wide Financial Statement

Portland District Library
Statement of Net Assets
June 30, 2005

		Governmental Activities
Assets		
Current assets		
Cash and cash equivalents	$	116,556
Investments		515,451
Due from other governments		91,145
Total current assets		723,152
Non current assets		
Capital assets		4,184,211
Less: accumulated depreciation		(373,608)
Net capital assets		3,810,603
Total assets	$	4,533,755
Liabilities		
Current liabilities		
Accounts payable	$	153,881
Accrued payroll and other liabilities		2,186
Accrued expense		17,905
Long-term liabilities due within one year		
Bonds payable- due within one year		85,000
Total current liabilities		258,972
Noncurrent Liabilities		
Bonds payable-due in more than one year		2,760,000
Total Liabilities		3,018,972
Net Assets		
Investment in capital assts- net of related debt		965,603
Restricted - debt service		93,816
Restricted - capital projects		113,306
Unrestricted		342,058
Total net assets	$	1,514,783

See accompanying notes to financial statements.

Portland District Library
Statement of Activities
June 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants/ Contributions	Governmental Activities: Net (Expenses) Revenues and Changes in Net Assets
Governmental activities:				
Culture and recreation	$ 238,602	$ 7,042	$ 5,731	$ (225,829)
Interest on long- derm debt	108,891	0	0	(108,891)
Total governmental activities	$ 347,493	$ 7,042	$ 5,731	(334,720)

General revenues:	
Taxes	
Property taxes, levied for general purpose	232,710
Property taxes, levied for debt service	179,054
Penal fines not restricted to specific purposes	91,146
Interest and investment earnings	32,854
Other	47,643
Total general revenues	583,407
Changes in net assets	248,687
Net assets- beginning of year	1,266,096
Net assets-end of year	$ 1,514,783

See accompanying notes to financial statements.

Fund Financial Statements

Portland District Library
Governmental Funds
Balance Sheet
June 30, 2005

	General Fund	Capital Projects	Debt Fund	Total Governmental Funds
Assets				
Cash	$ 5,729	$ 3,908	$ 106,919	$ 116,556
Investments	254,605	260,846	0	515,451
Due from other funds	0	0	4,802	4,802
Due from other governments	91,145	0	0	91,145
Total assets	$ 351,479	$ 264,754	$ 111,721	$ 727,954
Liabilities and fund equity				
Liabilities				
Accounts payable	$ 2,433	$ 151,448	$ 0	$ 153,881
Due to other funds	4,802	0	0	4,802
Payroll taxes payable	2,186	0	0	2,186
Total liabilities	9,421	151,448	0	160,869
Fund Equity				
Fund balances				
Designated for debt retirement	0	0	111,721	111,721
Designated for capital outlay	0	113,306	0	113,306
Designated	328,658	0	0	328,658
Reserved	0	0	0	0
Undesignated	13,400	0	0	13,400
Total fund equity	342,058	113,306	111,721	567,085
Total liabilities and fund equity	$ 351,479	$ 264,754	$ 111,721	$ 727,954

See accompanying notes to financial statements.

Portland District Library
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds to Net Assets
June 30, 2005

Total Fund Balances- Governmental Funds		**$**	**567,085**
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in government activities are not financial resources, and are not reported in the funds			
Capital assets cost:	$ 4,184,211		
Accumulated depreciation:	(373,608)		
Net Capital Assets			3,810,603
Long term and other liabilities are not due and payable in the current period and are not reported in the funds			
Bonds Payable			(2,845,000)
Accrued Interest			(17,905)
Net assets of governmental activities		**$**	**1,514,783**

See accompanying notes to financial statements.

Portland District Library
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2005

	Major Funds			Nonmajor	
	General	Capital Projects	Debt Fund	Special Revenue Fund	Totals
Revenues					
Property Taxes	$ 232,710	$ 0	179,054	0	$ 411,764
Penal fines	91,146	0	0	0	91,146
Grants	5,731	0	0	0	5,731
Interest	10,443	21,614	751	46	32,854
Miscellaneous	10,207	44,478	0	0	54,685
Total revenues	350,237	66,092	179,805	46	596,180
Expenditures					
Wages	106,356	0	0	0	106,356
Payroll taxes	8,532	0	0	0	8,532
Books	21,390	0	0	0	21,390
Periodicals	3,434	0	0	0	3,434
Supplies	5,919	0	0	0	5,919
Programs	224	0	0	0	224
Repairs and maintenance	27,319	0	0	0	27,319
Audio Visual	7,669	0	0	0	7,669
Computer Expense	9,938	0	0	0	9,938
Co-op fees	2,706	0	0	0	2,706
Insurance	7,727	0	0	0	7,727
Memberships and dues	150	0	0	0	150
Utilities	11,519	0	0	0	11,519
Professional services	8,138	0	0	0	8,138
Miscellaneous	10,726	0	0	0	10,726
Capital outlay	0	3,001,893	0	0	3,001,893
Debt Service					
Redemption of bonds/notes	0	0	70,000	0	70,000
Interest and fiscal charges	0	0	109,183	0	109,183
Total expenditures	231,747	3,001,893	179,183	0	3,412,823
Excess of revenues over (under) expenditures	118,490	(2,935,801)	622	46	(2,816,643)
Other financing sources (uses)					
Bond Proceeds	0	0	0	0	0
Operating transfers in	1,046	255,907	0	0	256,953
Operating transfers out	(255,907)	0	0	(1,046)	(256,953)
Total other financing sources (Uses)	(254,861)	255,907	0	(1,046)	0
Excess (deficiency) of revenues over expenditures and other sources (uses)	(136,371)	(2,679,894)	622	(1,000)	(2,816,643)
Fund balances at beginning of year	478,429	2,793,200	111,099	1,000	3,383,728
Fund balances at end of year	$ 342,058	$ 113,306	$ 111,721	$ 0	$ 567,085
Excess (deficiency) of revenues					

See accompanying notes to financial statements.

Portland District Library
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to Statement of Activities
Year Ended June 30, 2005

Net Change in Fund Balances- Total Governmental funds	$	(2,816,643)
Amount reported for governmental activities in the statement of activities are different because:		
Governmental funds reported capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as deprecation.		
Depreciation Expense		(35,266)
Capital outlay		3,030,302
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid		294
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		70,000
Change in Net Assets of Governmental Activities	$	248,687

See accompanying notes to financial statements.

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Portland District 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 accounting policies used by the Library:

Reporting Entity

The Library is governed by an appointed Board. 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. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Library's reporting entity, and which organizations are legally separate, component units of the Library. Based on the application of the criteria, the district does not contain any component units.

Governmental-Wide and Fund Financial Statements

The governmental-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Library's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental-Wide Statements – The governmental-wide financial statements 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, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Library reports the following major governmental funds:

The General Fund is the library primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

Capital Projects funds are used to account for the construction of fixed assets.

The government reports the following fund types:

Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Capital Projects funds are used to account for the construction of fixed assets.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes.

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Property Taxes

Property taxes and other revenues that are both measurable and available for use to finance operations are recorded as revenues when earned.

Properties are assessed as a December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

As part of the Ionia County Library Services contract, Ionia County levies the appropriate operating millage on a countywide basis. The County Treasurer is responsible for collecting the property taxes. The Treasurer will then remit the appropriate share to each library within the County, after settlement is made with the various taxing agencies within the County.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Library does not have infrastructure type assets.

Buildings, equipments, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Furniture and other equipment	5-20 years

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

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. Designations of fund balance represent tentative management plans that are subject to change.

Note 1 - Summary of Significant Accounting Policies (Continued)

Comparative Data/Reclassifications - Comparative data is not included in the Library's financial statements.

Use of Estimates - The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Library to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Library did not have significant expenditure budget variances.

Note 3 - Deposits and Investments

At year-end, the library deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and cash equivalents	$ 632,007

The breakdown between deposits and investments for the Library is as follows:

Deposits (checking and savings accounts, certicates of deposit)	$ 631,490
Petty cash and cash on hand	517
Total	$ 632,007

The deposits of the Library were reflected in the accounts of the Financial Institution at $641,009, of which $300,000 is covered by federal depository insurance. The remaining balance of $341,009 was uninsured and uncollaterized.

Note 3 – Deposits and Investments (Continued)

State statutes and the Library's investment policy authorize the Library to make deposits 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 U.S. Treasury or Agency obligation, U.S. Government repurchases agreements, bankers' acceptances, commercial paper rated prime at the same time of purchases which mature not more than 270 days after the date of purchases, mutual funds and investment pools that are composed of authorized investment vehicles. The Library's deposits are in accordance with statutory authority.

Note 4 – Receivables

Receivables as of year-end for the library individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
Receivables:	
Intergovernmental	$ 91,145

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. The library had no deferred revenue at year-end.

Note 5 – Capital Assets

Capital asset activity of the library Governmental activities was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Capital assets being depreciated:				
Land And Buildings	$ 111,000	$ 3,504,397	$ 0	$ 3,615,397
Work in process	549,184	0	549,184	0
Furniture and equipment	493,725	75,089	0	568,814
Subtotal	1,153,909	3,579,486	549,184	4,184,211
Accumulated depreciaton:				
Land And Buildings	10,000	0	0	10,000
Furniture and equipment	328,343	35,265	0	363,608
Subtotal	338,343	35,265	0	373,608
Net capital assets	$ 815,566	$ 3,544,221	$ 549,184	$ 3,810,603

Note 5 – Capital Assets (Continued)

Depreciation expense of $35,266 was charged to activities of the library.

Note 6– Long-Term Debt

Bonds, loan and contract payable at June 30, 2005 are comprised of the following:

General Obligation Bonds

Building and site bonds of 2,940,000 November 2004 due in annual installments of $25,000 to $225,000 through May, 2023; interest at 2.50% to 4.45%.	$ 2,845,000

The following is a summary of long-term transactions for the year ended June 30, 2005:

	Bonds Payable
Long-term debt payable at July 1, 2004	$ 2,915,000
Additions	0
Deletions	(70,000)
Long-term debt payable at July 1, 2005	$ 2,845,000

The annual requirements to amortize long-term debt outstanding as of June 30, 2005, including interest payments are as follows:

	Bonds Payable
2006	$ 192,433
2007	200,308
2008	212,932
2009	220,182
2010	226,882
2011-2015	1,150,748
2016-2020	1,181,605
2021-2023	708,144
Total	$ 4,093,234

Note 7 – Risk Management

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

Note 8 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Library believes such amounts, if any to be minimal.

The Library is involved in lawsuits from time to time. The ultimate outcome of any of these lawsuits cannot be presently determined; and the amount of damages, if any, cannot be determined at this time.

Note 9 – Fund Balance Designations

The following fund balance amounts have been designated:

General Fund - $328,658 for subsequent year's operations.
Capital Projects Fund - $113,306 for building improvements.

Required Supplemental Information

Portland District Library
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	(Budgetary Basis)	(Unfavorable)
Revenues				
Property Taxes	$ 217,141	$ 217,141	$ 232,710	$ 15,569
Penal fines	99,569	99,569	91,146	(8,423)
Grants	8,400	8,400	5,731	(2,669)
Interest	8,000	8,000	10,443	2,443
Miscellaneous	15,300	15,300	10,207	(5,093)
Total Revenues	348,410	348,410	350,237	1,827
Expenditures				
Wages	103,363	103,363	106,356	(2,993)
Payroll taxes	8,506	8,506	8,532	(26)
Books	51,950	51,950	21,390	30,560
Periodicals	4,000	4,000	3,434	566
Supplies	6,000	6,000	5,919	81
Programs	2,000	2,000	224	1,776
Repairs and maintenance	26,500	26,500	27,319	(819)
Audio Visual	8,000	8,000	7,669	331
Computer Expense	14,200	14,200	9,938	4,262
Co-op fees	5,250	5,250	2,706	2,544
Insurance	3,250	3,250	7,727	(4,477)
Memberships and dues	500	500	150	350
Utilities	9,400	9,400	11,519	(2,119)
Professional services	6,000	6,000	8,138	(2,138)
Miscellaneous	11,949	11,949	10,726	1,223
Total Expenditures	260,868	260,868	231,747	29,121
Excess of Revenue Over (Under) Expenditures	87,542	87,542	118,490	30,948
Other Financing Sources (Uses)				
Transfers from other funds	0	0	1,046	1,046
Transfer to other funds	0	(75,000)	(255,907)	(180,907)
Total Other Financing Sources (Uses)	0	(75,000)	(254,861)	(179,861)
Excess (deficiency) of revenues over expenditures and other sources (uses)	87,542	12,542	(136,371)	(148,913)
Fund Balance, beginning of year	478,429	478,429	478,429	0
Fund balance, end of year	$ 565,971	$ 490,971	$ 342,058	$ (148,913)

See accompanying notes to financial statements.

Other Supplemental Information

Portland District Library
Other Supplemental Information
Schedule of Bonded Debt
2003 Bonds
June 30, 2004

Year Ended June 30	Interest Rate	Principal May 1	Interest November 1	Interest May 1	Total Debt Requirement
2006	2.500%	$ 85,000	$ 53,716	$ 53,717	$ 192,433
2007	2.500%	95,000	52,654	52,654	200,308
2008	2.500%	110,000	51,466	51,466	212,932
2009	2.750%	120,000	50,091	50,091	220,182
2010	3.050%	130,000	48,441	48,441	226,882
2011	3.300%	135,000	46,459	46,459	227,918
2012	3.500%	140,000	44,231	44,231	228,462
2013	3.650%	145,000	41,781	41,781	228,562
2014	3.700%	155,000	39,135	39,135	233,270
2015	3.800%	160,000	36,268	36,268	232,536
2016	3.900%	170,000	33,227	33,227	236,454
2017	4.000%	175,000	29,913	29,913	234,826
2018	4.100%	185,000	26,412	26,413	237,825
2019	4.200%	190,000	22,620	22,620	235,240
2020	4.300%	200,000	18,630	18,630	237,260
2021	4.375%	210,000	14,330	14,330	238,660
2022	4.400%	215,000	9,736	9,736	234,472
2023	4.450%	225,000	5,006	5,006	235,012
	Total	$ 2,845,000	$ 624,116	$ 624,118	$ 4,093,234

Purpose - To erect, furnish and equip a library building addition.

See accompanying notes to financial statments.