Lyons Township District Library

Lyons, Michigan
Ionia County

Financial Statements
February 28, 2005

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	Lyons Township District Library	Ionia

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
2/28/05	8/17/05	3/8/06

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 East Main	Saranac	MI	48881
Accountant Signature		Date	
[signature] CPA		3/8/06	

Lyons Township District Library
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Independent Auditor's Report

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

INDEPENDENT AUDITOR'S REPORT

To the Library Board
Lyons Township District Library
Lyons, Michigan

We have audited the accompanying general purpose financial statements of Lyons Township District Library as of and for the year ended February 28, 2005, as listed in the table of contents. These general purpose financial statements are the responsibility of the Lyons Township District Library's management. Our responsibility is to express an opinion on these general purpose 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lyons Township District Library as of February 28, 2005, and results of its operations 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 2 through 7 and 19 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.

Biggs, Hausserman, Thompson + Dickinson

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

August 17, 2005

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

Management's Discussion and Analysis

This section of the Lyons Township 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 February 28, 2005. This is the first year of GASB 34 implementation.

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 Lyons Township 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 fund, the General Fund. 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 may establish 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 February 28, 2005. Since this is the first year of GASB 34 implementation, only current year information is available. In future years, a comparison will be available.

Table 1:

Net Assets Summary

	Governmental Activities 2005
Current and other assets	$ 102,281
Capital assets	374,985
Total assets	477,266
Current and other liabilities	943
Total liabilities	943
Net assets	
Invested in capital assets, net of related debt	374,985
Unrestricted	101,338
Total net assets	$ 476,323

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 $476,323 at February 28, 2005. Invested in capital assets, net of related debt totaling $374,985 compares the original cost, less depreciation of the Library capital assets to long-term debt, used to finance the acquisition of those assets. 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, $101,338, was unrestricted.

The $101,338 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. In future years, a comparison to the previous year will be available.

Statement of Activities Summary

TABLE 2

	Governmental Activities 2005
Revenues	
General Revenues	
Property taxes	70,971
Penal fines	26,086
Other general revenues	8,112
Total revenues	105,169
Functions/Program Expenses	
Culture and recreation	104,605
Total expenses	104,605
Increase (decrease) in net assets	$ 564

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was $104,565. We paid for the "public benefit" portion of our governmental activities with $70,971 in taxes, $26,086 in state penal fines, and with our other revenues, like interest and other revenues.

The Library experienced an increase in net assets of $564.

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 $101,338, which is a decrease of $91,664 from last year.

The general fund's fund balance shows a decrease of $91,664. This is due to the purchase of the new library building.

General Fund Budgetary Highlights

The Uniform Budget Act requires that the Board approve the original budget for the upcoming year prior to March 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 did not amend their budget during the fiscal year.

Capital Asset and Debt Administration

Capital Assets

At February 28, 2005, the Library had $521,142 invested in a broad range of capital assets, including land, buildings, books, furniture and equipment.

Capital Assets at Year-end

		2005
Land and Buildings	$	233,143
Books		263,465
Furniture and equipment		24,534
Total capital assets	$	521,142

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.

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:

Vicki Reinhardt
Director
Lyons Township District Library
309 Bridge St
Lyons, MI 48851
(989) 855-3414

Basic Financial Statements

Lyons Township District Library
Statement of Net Assets
February 28, 2005

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	$ 9,796
Investments	18,286
Prepaid expenses	3,437
Due from other governments	70,762
Total current assets	102,281
Non current assets	
Capital assets	521,142
Less: accumulated depreciation	(146,157)
Net capital assets	374,985
Total assets	$ 477,266
Liabilities	
Current liabilities	
Accounts payable	$ 943
Total Liabilities	943
Net Assets	
Investment in capital assets- net of related debt	374,985
Unrestricted	101,338
Total net assets	$ 476,323

See accompanying notes to financial statements.

Lyons Township District Library
Statement of Activities
February 28, 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	$ 104,605	$ 0	$ 0	$ (104,605)
Total governmental activities	$ 104,605	$ 0	$ 0	(104,605)
General revenues:				
Taxes				
Property taxes, levied for general purpose				70,971
Property taxes, levied for debt service				0
Penal fines not restricted to specific purposes				26,086
Interest and investment earnings				1,438
Other				6,674
Total general revenues				105,169
Changes in net assets				564
Net assets- beginning of year				475,759
Net assets-end of year				$ 476,323

See accompanying notes to financial statements.

Lyons Township District Library
Governmental Funds
Balance Sheet
February 28, 2005

	Total Governmental Funds
Assets	
Cash	$ 9,796
Investments	18,286
Prepaid expense	3,437
Due from other governments	70,762
Total assets	$ 102,281
Liabilities and fund equity	
Liabilities	
Accounts payable	$ 943
Total liabilities	943
Fund Equity	
Fund balances	
Undesignated	101,338
Total fund equity	101,338
Total liabilities and fund equity	$ 102,281

See accompanying notes to financial statements.

Lyons Township District Library
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds to Net Assets
February 28, 2005

Total Fund Balances- Governmental Funds		$	**101,338**
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:	$ 521,142		
Accumulated depreciation:	(146,157)		
Net Capital Assets			374,985
Net assets of governmental activities		$	**476,323**

See accompanying notes to financial statements.

Lyons Township District Library
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended February 28, 2005

	Total Governmental Funds
Revenues	
Property Taxes	$ 70,971
Penal fines	26,086
State revenue sharing	3,337
Interest	1,438
Contributions - other	381
Miscellaneous	2,956
Total revenues	105,169
Expenditures	
Wages	45,945
Payroll taxes	3,515
Fringe benefits	2,876
Books	12,002
Periodicals	884
Supplies	1,302
Repairs and maintenance	660
Audio Visual	1,177
Co-op fees and dues	3,259
Insurance	3,476
Utilities	6,021
Professional services	4,589
Miscellaneous	1,253
Capital Outlay	109,874
Total expenditures	196,833
Excess of revenues over (under) expenditures	(91,664)
Fund balances at beginning of year	193,002
Fund balances at end of year	$ 101,338
Excess (deficiency) of revenues	

See accompanying notes to financial statements.

Lyons Township District Library
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to Statement of Activities
Year Ended February 28, 2005

Net Change in Fund Balances- Total Governmental funds	$	(91,665)
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		(29,646)
Capital outlay		121,875
Change in Net Assets of Governmental Activities	$	564

See accompanying notes to financial statements.

Note A -Summary of Significant Accounting Policies

The accounting policies of Lyons Township District Library, Ionia County, Michigan, conform to generally accepted accounting principles as applicable to governmental units. The Library is a public library that is recognized by the State of Michigan as eligible to receive penal fines collected for the breach of penal laws of this State within the County. The Library is also eligible to either on its own, or through its incorporation municipalities, to levy millage for the support of the operations for the Library.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and types described as follows:

Governmental Fund

The General Fund is used to account for all financial transactions not required to be accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from state distributions, property taxes, grants and other intergovernmental revenues.

Basis of Accounting

The modified accrual basis of accounting is used by all Governmental Fund and Agency Funds. Revenues and other sources are recognized in the accounting period, which they became susceptible to accrual – that is when they became both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related liability is incurred.

General Fixed Assets

Purchases of general fixed assets are recorded as expenditures in the General Fund at the time of purchase. The Library's assets were transferred to them in February 2003 from The Village of Lyons. The Library has also maintained a record of its general fixed assets as required by generally accepted accounting principles.

Investments

Investments are stated at cost.

Note A -Summary of Significant Accounting Policies - Continued

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

- Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Library Board for consideration.
- The proposed budgets include expenditures as well as the methods of financing them.
- Public hearings are held to obtain taxpayer comments.
- The budgets are adopted by a majority vote of the Library Board.
- The budgets are adopted on the modified accrual basis of accounting.
- The originally adopted budgets can be amended during the year only by a majority vote of the Library Board.
- The adopted budgets are used as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at the end of each fiscal year.
- The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets; there were no amendments that were approved by the Library Board during the fiscal year.

Property Taxes

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

Properties are assessed as of 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 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.

Note A -Summary of Significant Accounting Policies - Continued

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Library contain all the funds and account groups that are controlled by or dependent on the Library's executive or legislative branches.

Total Columns on Combined Statements

The total column on the Combined Statements is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Use of Estimates

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

Accounting Change

Effective March 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). Changes to the Library's financial statements area a result of GASB No. 34 are as follows:

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.

Capital assets in the governmental activities column of the statement of net assets includes assets totaling $147,803 previously reported in the General Fixed Assets Account Group. Capital assets at July 1, 2002 previously reported in the General Fixed Assets Account Group have been adjusted to reflect the historical cost of the Library's capital assets at that date.

Note B: Cash and Investments

Cash includes amounts in demand deposits and certificates of deposits.

Investments are stated at fair value.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The captions on the combined balance sheet relating to cash, and investments and the amounts in the total (memorandum only) column are as follows:

Total (memorandum only)	
Cash and cash equivalents	$ 9,796
A summary of cash by type is as follows:	
Demand and savings accounts	$ 8,222
Money Market	1,574
Total	$ 9,796
Total (memorandum only)	
Investments	$ 18,286
A summary of investments by type is as follows:	
Certificates of Deposit	$ 18,286

Lyons Township District Library's investments are in accordance with statutory authority. Cash in bank and certificates of deposit are all held in the name of Lyons Township District Library.

Note C -Capital Assets

A summary of changes in capital assets follows:

	Balance 03/01/04	Additions	Deletions	Balance 02/28/05
Capital assets:				
Building and improvements	$ 123,269	$ 109,874	$ 0	$ 233,143
Books	251,463	12,002	0	263,465
Funiture and equipment	24,534	0	0	24,534
Subtotal	399,266	121,876	0	521,142
Accumulated depreciation:				
Building and improvements	8,511	2,465	0	10,976
Books	100,585	25,146	0	125,731
Furniture and equipment	7,415	2,035	0	9,450
Subtotal	116,511	29,646	0	146,157
Net capital assets	$ 282,755	$ 92,230	$ 0	$ 374,985

Note D -Pension Plan

As of February 28, 2005, the Library does not have a pension plan. The library does provide the librarian with a tax sheltered annuity for her to invest at her own choosing.

Note E -Post-employment Benefits

The Library provides no post employment benefits to retirees.

Note F -Risk Management

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

Note G - Subsequent Events

The Library purchased a new building in November 2004. The Library moved their operations to this new building July 1, 2005.

The building used by the Library prior to their move was sold on July 15, 2005.

Supplemental Information

Lyons Township District Library
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended February 28, 2005

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	$ 66,000	$ 66,000	$ 70,971	$ 4,971
Penal fines	26,000	26,000	26,086	86
State revenue sharing	3,200	3,200	3,337	137
Interest	1,600	1,600	1,438	(162)
Contributions - other	500	500	381	(119)
Miscellaneous	2,755	2,755	2,956	201
Total Revenues	100,055	100,055	105,169	5,114
Expenditures				
Wages	48,500	48,500	45,945	2,555
Payroll taxes	3,600	3,600	3,515	85
Fringe benefits	3,100	3,100	2,876	224
Books	10,000	10,000	12,002	(2,002)
Periodicals	1,000	1,000	884	116
Supplies	1,350	1,350	1,302	48
Repairs and maintenance	500	500	660	(160)
Audio Visual	1,000	1,000	1,177	(177)
Co-op fees and dues	2,075	2,075	3,259	(1,184)
Insurance	3,475	3,475	3,476	(1)
Utilities	6,100	6,100	6,021	79
Professional services	7,850	7,850	4,589	3,261
Miscellaneous	3,040	3,040	1,253	1,787
Capital Outlay	0	0	109,874	(109,874)
Total Expenditures	91,590	91,590	196,833	(105,243)
Excess of Revenue Over (Under) Expenditures	8,465	8,465	(91,664)	(100,129)
Fund Balance, beginning of year	193,002	193,002	193,002	0
Fund balance, end of year	$ 201,467	$ 201,467	$ 101,338	$ (100,129)

See accompanying notes to financial statements.

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

August 17, 2005

To the Library Board
Lyons Township District Library
Lyons, Michigan

We have recently completed our audit of the general-purpose financial statements of the Lyons Township District Library for the year ended February 28, 2005. As required by generally accepted auditing standards, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

We conducted our audit of the general-purpose financial statements of the Lyons Township District Library in accordance with generally accepted auditing standards. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for the devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the general purpose financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the general purpose financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the general purpose financial statements is confined to the expression of an opinion on them. The general purpose financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those that have, on a relative basis, more importance to the general purpose financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

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

An independent auditor's objective of an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an auditor provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion".

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing Standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

COMMENTS AND RECOMMENDATIONS

Our procedures, which were made for the limited purpose described previously, would not necessarily disclose all material weaknesses in the system of internal control. Accordingly, we do not express an opinion on the system of internal control structure of the Library taken as a whole. However, we would like to make the following comments and recommendations.

- **GASB 34**

  GASB 34 was recently approved which significantly modifies accounting reporting used for governmental entities. The effective date for the Library was the fiscal year beginning March 1, 2004. The financial statements for the year ended February 28, 2005, of the Library have been converted and are in compliance.

If we can be of assistance with any of the above comments, or if there are any questions, please contact our office.

We would like to express our appreciation for the cooperation extended to us by the Library officials during the course of the audit. It is a pleasure providing professional services to the Lyons Township District Library.

Very truly yours,

Biggs, Hausserman, Thompson & Dickinson

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

BHT&D