WEST IRON DISTRICT LIBRARY

Financial Report
with Supplemental Information
Prepared in Accordance with GASB 34

JUNE 30, 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	WEST IRON DISTRICT LIBRARY	IRON

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
6/30/05	1/19/06	2/23/06

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)			
DS ROSTAGNO, CPA, P.C.			
Street Address	City	State	ZIP
101 WEST MAPLE STREET	IRON RIVER	MI	49935
Accountant Signature		Date	
		2/23/06	

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT **3**

MANAGEMENT'S DISCUSSION AND ANALYSIS **6**

BASIC FINANCIAL STATEMENTS **17**
- STATEMENT OF NET ASSETS 18
- STATEMENT OF ACTIVITIES 19
- BALANCE SHEET - GOVERNMENTAL FUNDS 20
- RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS 21
- GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES 22
- RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES 23
- STATEMENT OF FIDUCIARY NET ASSETS 24

NOTES TO THE FINANCIAL STATEMENTS **25**

REQUIRED SUPPLEMENTAL INFORMATION **78**
- BUDGETARY COMPARISON SCHEDULE - GENERAL FUND 79

OTHER SUPPLEMENTAL INFORMATION **80**
- BALANCE SHEET - GENERAL FUND 81
- STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET – GENERAL FUND 82
- BALANCE SHEET – CAPITAL PROJECTS FUND 84
- CAPITAL PROJECTS FUND - STATEMENT OF REVENUES AND EXPENDITURES 85
- BALANCE SHEET - DEBT SERVICE FUND 86
- DEBT SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE 87
- PERMANENT FUND - STATEMENT OF CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCE 88

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING **89**

INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042

Board of Trustees
West Iron District Library
Iron River, Michigan 49935

INDEPENDENT AUDITOR'S REPORT

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. 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 the Board of Trustees , as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 19, 2006 on our consideration of the **West Iron District Library**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conduction with the report in considering the results of our audit.

The management's discussion and analysis on pages 7 through 16 and the budgetary comparison information are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **West Iron District Library**'s basic financial statements. The introductory section and the combining and individual non-major fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major 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 it.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

January 19, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST IRON DISTRICT LIBRARY
116 W. GENESEE STREET
IRON RIVER, MI. 49935
(906) 265-2831

LIBRARY HOURS

M,T,W,F	8:30-5:00
THURSDAY	8:30-7:00
SATURDAY	10:00-2:00

The management of the **West Iron District Library** provides this narrative overview and analysis of the financial activities of the Library for the year ended June 30, 2005. As readers, you are encouraged to read this discussion and analysis in conjunction with the Library's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Library are governmental funds.

WEST IRON DISTRICT LIBRARY
116 W. GENESEE STREET
IRON RIVER, MI. 49935
(906) 265-2831

LIBRARY HOURS

M,T,W,F	8:30-5:00
THURSDAY	8:30-7:00
SATURDAY	10:00-2:00

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Library's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The Library maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, the capital project fund, and the debt service fund.

The Library adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund, and is included in the "Required Supplementary Information" section of this document.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Supplementary Information

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund as presented in the governmental fund financial statements.

WEST IRON DISTRICT LIBRARY
116 W. GENESEE STREET
IRON RIVER, MI. 49935
(906) 265-2831

LIBRARY HOURS

M,T,W,F	8:30-5:00
THURSDAY	8:30-7:00
SATURDAY	10:00-2:00

Government-wide Financial Analysis

In time, net assets of a government entity may serve as a useful indicator of the government's financial position. In the case of the Library, assets exceeded liabilities by $ 777,451 at June 30.

By far, the largest portion of the Library's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. Although the Library's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2005, the Library reported $ 370,760 in net assets invested in capital assets net of related debt.

In a condensed format, the following is a summary of the Library's comparative net assets at June 30, 2005 and 2004:

	2005 Governmental Activities
Assets	
Current and other assets	$ 421976
Capital assets, net	440916
Total assets	**862892**
Liabilities	
Long-term liabilities	65151
Other liabilities	20290
Total liabilities	**85441**
Net assets:	
Invested in capital assets, net of related debt	370760
Reserved for capital projects	289684
Unreserved and undesignated	117007
Total net assets	**$ 777451**

WEST IRON DISTRICT LIBRARY
116 W. GENESEE STREET
IRON RIVER, MI. 49935
(906) 265-2831

LIBRARY HOURS

M,T,W,F	8:30-5:00
THURSDAY	8:30-7:00
SATURDAY	10:00-2:00

Government-wide Financial Analysis (Continued)

	2004 Governmental Activities
Assets	
Current and other assets	$ 350228
Capital assets, net	459208
Total assets	**809436**
Liabilities	
Long-term liabilities	66316
Other liabilities	17190
Total liabilities	**83506**
Net assets:	
Invested in capital assets, net of related debt	387887
Reserved for capital projects	202733
Unreserved and undesignated	135310
Total net assets	**$ 725930**

For governmental activities, net assets increased by $ 51,521 during the year.

The following represents the comparative changes in net assets for the Library's governmental funds for the years ended June 30, 2005 and 2004:

WEST IRON DISTRICT LIBRARY
116 W. GENESEE STREET
IRON RIVER, MI. 49935
(906) 265-2831

LIBRARY HOURS

M,T,W,F	8:30-5:00
THURSDAY	8:30-7:00
SATURDAY	10:00-2:00

Government-wide Financial Analysis (Continued)

	2005 Governmental Activities
REVENUES:	
Program Revenues:	
Charges for services	$ 6077
Operating grants and contributions	47601
Capital grants and contributions	0
General revenues	
Property taxes	201847
Other taxes	1989
Unrestricted grants	5735
Penal fines	41604
Other	77849
Total Revenues	**$ 382702**
EXPENSES:	
Community services	274370
Debt service	
Interest and fees	3439
Depreciation	21210
Other	32162
Total governmental expenses	**$ 331181**
Increase (Decrease) in Net Assets	51521
Net Assets, beginning of year	725930
Net Assets, end of year	$ 777451

WEST IRON DISTRICT LIBRARY
116 W. GENESEE STREET
IRON RIVER, MI. 49935
(906) 265-2831

LIBRARY HOURS

M,T,W,F	8:30-5:00
THURSDAY	8:30-7:00
SATURDAY	10:00-2:00

Government-wide Financial Analysis (Continued)

	2004 Governmental Activities
REVENUES:	
Program Revenues:	
Charges for services	$ 2535
Operating grants and contributions	164494
Capital grants and contributions	0
General revenues	
Property taxes	194572
Other taxes	1140
Unrestricted grants	8373
Penal fines	40348
Other	9311
Total Revenues	**$ 420773**
EXPENSES:	
Community services	244031
Debt service	
Interest and fees	3421
Depreciation	21509
Total governmental expenses	**$ 268961**
Increase (Decrease) in Net Assets	151812
Net Assets, beginning of year	574118
Net Assets, end of year	$ 725930

Governmental Activities

For the fiscal year ended June 30, 2005, property taxes comprise $ 201,847 or approximately 48 percent of total governmental revenues. Penal fines were $ 41,604, or approximately 10 percent of total revenues.

WEST IRON DISTRICT LIBRARY
116 W. GENESEE STREET
IRON RIVER, MI. 49935
(906) 265-2831

LIBRARY HOURS

M,T,W,F	8:30-5:00
THURSDAY	8:30-7:00
SATURDAY	10:00-2:00

Governmental Activities

The Library expensed $ 331,181 on governmental programs and services. The largest expense category was incurred for Library services, which totaled $ 149,752, or approximately 45 percent of total expenditures. Of this amount, $ 83,187 was paid directly for salaries and benefits.

Costs of administration were $ 89,348, or approximately 27 percent of total expenditures. Occupancy costs excluding debt service were $ 24,175, or approximately 7 percent of total expenditures.

Financial Analysis of the Governmental Funds

As previously noted, the Library uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Library's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Library's governmental funds reported combined ending fund balances of $ 406,691, of which $ 289,684 is reserved for capital projects. The balance of $ 117,007 is unreserved and is available for spending at the Library's discretion.

The Library's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the Library ended the fiscal year with both revenues and expenditures considerably lower than the original budget. And, at year end, the fund balance was lower than both the original and final projection.

WEST IRON DISTRICT LIBRARY
116 W. GENESEE STREET
IRON RIVER, MI. 49935
(906) 265-2831

LIBRARY HOURS

M,T,W,F	8:30-5:00
THURSDAY	8:30-7:00
SATURDAY	10:00-2:00

Governmental Funds (Continued)

General fund financial and budgetary highlights of the fiscal year include:

* Property tax revenue fell sharply from both the original and final budget estimates coming in $ 58,872 less than anticipated.

* State aid fell short of the original and final anticipated revenue, coming in at $ 5,735, significantly lower than the budgeted estimate of $ 8,373.

* Expenditures in total for the general fund were $ 39,933 less than the original and final amended budget of $ 317,222.

Revenues - Budget vs Actual for Fiscal Year Ended June 30, 2005

	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual vs Original Budget	Revenues Variance Actual vs Final Budget
General Fund	$ 317222	$ 317222	$ 263590	$ (53632)	$ (53632)

Expenditures - Budget vs Actual for Fiscal Year Ended June 30, 2005

	Expenditures Original Budget	Expenditures Final Budget	Expenitures Final Actual	Expenditures Variance Actual vs Original Budget	Expenditures Variance Actual vs Final Budget
General Fund	$ 317222	$ 317222	$ 277289	$ 39933	$ 39933

WEST IRON DISTRICT LIBRARY
116 W. GENESEE STREET
IRON RIVER, MI. 49935
(906) 265-2831

LIBRARY HOURS

M,T,W,F	8:30-5:00
THURSDAY	8:30-7:00
SATURDAY	10:00-2:00

Capital Assets and Debt Administration

Capital Assets

The Library's investment in capital assets, net of accumulated depreciation, for its governmental activities as of June 30, 2005 was $ 440,916. The investment in capital assets includes land, buildings, furniture and fixtures, computers, and other equipment. The Library has no infrastructure assets.

Major accomplishments for the 2004-2005 fiscal year include:

- Materials collections grew to over 42,000 titles.
- Statistics jumped from 843 patron visits per week average to 1,200 per week average.
- Created an updated Technology Plan.
- Developed and introduced new DVD collection to the public.
- Continued the development of personnel and operating policies to meets QSAC essential services certification.
- Hold volunteers luncheon during National Library Week.
- Formed Fundraising and Grant Writing Committees: Fundraising Committee created timeline, discussed and developed events, held soiree in celebration of tenth year in renovated building. Grant Writing Committee gathered statistics, wrote proposal letter and created narrative for first introduction to foundations.
- Completed architectural designs for addition.
- Installed SIRSI automation circulation system and participated in U.P. wide materials loan program.

WEST IRON DISTRICT LIBRARY
116 W. GENESEE STREET
IRON RIVER, MI. 49935
(906) 265-2831

LIBRARY HOURS

M,T,W,F	8:30-5:00
THURSDAY	8:30-7:00
SATURDAY	10:00-2:00

Long-term debt

As of June 30, 2005, the Library had total debt outstanding of $ 70,156. Of this amount, $ 5,005 is due and payable within the next 12 months.

Plans and Major Priorities

The following areas highlight the Library's plans and priorities for the 2005-2006 fiscal year:

- Participate in statewide Mel-CAT materials loan program.
- Continue development of personnel and operating policies to meet QSAC certification.
- Hold fundraising events for building project.
- Submit grants to foundations for building project.
- Continue attendance at educational workshops by staff.
- Conduct programming for all ages.
- Plan building project timeline with groundbreaking and completion dates.
- Participate in Cool Cities project.
- Continue development of materials collection.

The 2005-2006 general fund budget of $ 334,742 represents a significant increase from 2004-2005.

Request for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

West Iron District Library
116 West Genesee Street
Iron River, Michigan 49935

BASIC FINANCIAL STATEMENTS

WEST IRON DISTRICT LIBRARY

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities
ASSETS	
Current Assets	
Cash and Investments (Note C)	$ 409,918
Taxes Receivable	280
Due from Other Funds	11,778
Accounts Receivable-Permanent Fund	
Total Current Assets	421,976
Noncurrent Assets	
Capital Assets (Note H)	623,226
Accumulated Depreciation	(182,310)
Total Noncurrent Assets	440,916
TOTAL ASSETS	**$ 862,892**
LIABILITIES	
Current Liabilities	
Accounts Payable	3,964
Accrued Payroll Taxes	11,321
Bonds/Notes Payable, Due within one year (Note I)	5,005
Total Current Liabilities	20,290
Noncurrent Liabilities	
Bonds/Notes Payable (Note I)	65,151
Total Noncurrent Liabilities	65,151
TOTAL LIABILITIES	**$ 85,441**
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	370,760
Reserved for Debt Services	-
Reserved for Capital Projects	289,684
Unreserved and Undesignated	117,007
TOTAL NET ASSETS	**$ 777,451**

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	PROGRAM REVENUES: Charges for Services	PROGRAM REVENUES: Operating Grants & Contributions	Net(Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary Government -				
Community Services				
Administration	$ 89,348	$ -	$ -	$ (89,348)
Occupancy	24,175			(24,175)
Special Programs	11,095			(11,095)
Library Services	149,752	6,077	47,601	(96,074)
Interest on Long-Term Debt	3,439			(3,439)
Engineering	32,162			(32,162)
Depreciation (Unallocated)	21,210			(21,210)
Total Governmental Activities	$ 331,181	$ 6,077	$ 47,601	$ (277,503)

General Revenues:	
Taxes:	
Property taxes levied for general operations	201,847
Other taxes	1,989
State Aid	5,735
Penal Fines	41,604
Interest and Investment Earnings	77,849
Other revenues	-
Total General Revenues	**329,024**
Change in Net Assets	**51,521**
Net Assets - Beginning of year	**725,930**
Net Assets - End of year	**$ 777,451**

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2005

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Investments (Note C)	$ 132,012	$ 277,906	$ -	$ 409,918
Taxes Receivable	280	-	-	280
Due from Other Funds	-	11,778	-	11,778
TOTAL ASSETS	**$ 132,292**	**$ 289,684**	**$ -**	**$ 421,976**
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	3,964	-	-	3,964
Accrued Payroll Taxes	11,321			11,321
Total Liabilities	15,285	-	-	15,285
Fund Balances				
Reserved for Capital Projects	-	289,684	-	289,684
Reserved for Debt Service			-	-
Unreserved and undesignated	117,007			117,007
				-
Total Fund Balances	117,007	289,684	-	406,691
TOTAL LIABILITIES AND FUND BALANCES	**$ 132,292**	**$ 289,684**	**$ -**	**$ 421,976**

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2005

Fund Balances - Total Governmental Funds	$ 406,691
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 funds.	
The cost of capital assets is:	623,226
Accumulated depreciation is:	(182,310)
Long term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds Payable	(70,156)
Other long term assets not available to pay current period expenditures therefore deferred in the funds	-
Accrued interest is not included as a liability in governmental funds	-
Total Net Assets - Governmental Activities	**$ 777,451**

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2005

	General	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE				
General property taxes	$ 201,847	$ -	$ -	$ 201,847
Other taxes	1,989			1,989
Penal Fines	41,604			41,604
Use of money and property	1,928	6,409		8,337
Charges for services	2,459			2,459
Gifts and memorials	1,835	43,191		45,026
Miscellaneous	3,618			3,618
Grants, local	2,575			2,575
Intergovernmental	5,735			5,735
TOTAL REVENUE	**$ 263,590**	**$ 49,600**	**$ -**	**$ 313,190**
EXPENDITURES				
Current Operating:				
Community services	274,370	-	-	274,370
Debt Service				-
Principal			1,165	1,165
Interest and Fees			3,439	3,439
Capital Outlay	2,919			2,919
Engineering Costs		32,162		32,162
Other				-
TOTAL EXPENDITURES	**$ 277,289**	**$ 32,162**	**$ 4,604**	**$ 314,055**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(13,699)**	**17,438**	**(4,604)**	**(865)**
Other Financing Sources (Uses)				
Operating transfers in			4,604	4,604
Operating transfers out	(4,604)			(4,604)
Market Gains (Losses)		69,513	-	69,513
Total Other Financing Sources(Uses)	(4,604)	69,513	4,604	69,513
Net Change in Fund Balances	(18,303)	86,951	-	68,648
FUND BALANCE-BEGINNING OF YEAR	135,310	202,733	-	338,043
FUND BALANCE-END OF YEAR	**$ 117,007**	**$ 289,684**	**$ -**	**$ 406,691**

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005

Net Change in Fund Balances - Total Governmental Funds	**$ 68,648**
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(21,210)
Capital Outlay	2,918
Total	$ (18,292)
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	-
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	-
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)	1,165
Increases Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6	-
Change in Net Assets of Governmental Activities	**$ 51,521**

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2005

	Permanent Fund
ASSETS	
Cash and Cash Equivalents	$ 14,177
TOTAL ASSETS	**$ 14,177**
LIABILITIES	
Due to Other Funds	11,778
Due to Other Governmental Units	-
TOTAL LIABILITIES	**$ 11,778**
NET ASSETS	**$ 2,399**

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the **West Iron District Library** conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The **West Iron District Library** was organized to provide library services to the City of Iron River, and Iron River, Bates, and Stambaugh Townships, Iron County, Michigan. By resolution dated February 06, 1995, the West Iron District Library Agreement was amended to include the Cities of Caspian and Gaastra. The Board operates under an appointed board of 7 trustees and provides library services to its approximately 8371 residents.

The criteria established by GASB Statement 14, The Financial Reporting Entity, is used to determine the primary government unit and the component units to be included in the financial reporting entity.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

This Statement describes the characteristics of a primary government unit, which include a separately elected governing board, legally separate government possessing corporate power and separate legal standing, and fiscal independence. GASB 14 also provides criteria for defining the component unit, based on the fundamental concept of accountability. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Library.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements. When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

There are no blended component units to be included in the financial statements of the **West Iron District Library**.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT VENTURES (Continued)

An ongoing financial responsibility is defined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be included in the financial statements of the **West Iron District Library**.

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported by the **West Iron District Library** as defined above.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to the **West Iron District Library** as defined above.

BASIS OF PRESENTATION

The Library follows GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments. GASB Statement No. 34 add the following components to the financial statements:

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Government-wide financial statements

These include financial statements prepared using the full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt).

Accrual accounting also reports all of the revenues and costs of providing services each year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories - 1) invested in capital assets net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of activities reports expenses as revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated by the function (for instance, through user charges or intergovernmental grants).

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules
Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest following the actual financial progress of their governments over the course of the year. The Library and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary governmental entities for which the government is considered to be financially accountable.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
The basic financial statements include both government-wide (based on the Library as a whole) and fund financial statements. The reporting model focus is on both the Library as a whole and the fund financial statement, including the major individual funds of the governmental categories.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type (when applicable). In the government-wide Statement of Net Assets, the governmental columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Both government-wide and fund financial statements presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The Library generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Library may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (administration, occupancy, special programs, and Library services) that are otherwise being supported by general government revenues (property, state aid, penal fines and interest, and investment earnings).

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (administration, occupancy, special programs, and Library services). Program revenues include 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 operation or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported as general revenues.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The Library does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Library are organized in the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain regulations, restrictions, or limitations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The following is a brief description of the specific funds used by the Library:

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the Library's expendable financial resources and the related current liabilities are accounted for through the Governmental Funds. These funds are as follows:

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)
Revenues are derived primarily from property taxes, and state and federal distributions, grants and other intergovernmental revenues.

For reporting purposes, the General Fund is always considered to be a major fund.

Special Revenue Funds
These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

There are no special revenue funds for the Library.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The Debt Service fund is a non-major fund for reporting purposes.

The governmental funds use the modified accrual basis of accounting.

Capital Projects Fund

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which is not accounted for by Proprietary Funds, Special Assessment Funds, or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grants from other units of government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

Capital Projects Fund

The Capital Projects Fund is considered to be a major fund for reporting purposes.

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises---- where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

There are no proprietary funds for the Library.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the Library in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The Perpetuity Fund is a Fiduciary Fund.

It is defined as a Permanent Fund under the new standard established by GASG 34. Permanent funds are used to report resources that are legally restricted to the extent that only earnings and no principal (corpus) may be used for purposes that support the reporting government's program (i.e., for the benefit of the public). Permanent funds are similar to the no longer used Nonexpendable Trust Funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net assets and the statement of activities are accounted for on a flow of economic resources measurement focus.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)
With this measurement focus, all assets and liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets.

The statement of net assets and statement of activities are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Capital Projects, and Debt Service funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and state reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)
The local governmental unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES
Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

It is the Library's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CASH AND CASH EQUIVALENTS

The Library pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Library classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

INVENTORIES

Inventories of supplies are expended as received.

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General Fund.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

INTEREST RECEIVABLE
Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

DUE TO/FROM OTHER FUNDS
Transactions between funds that had not been paid or received as of fiscal year-end have been recorded as inter-fund accounts receivable and payable in the financial statements. These inter-fund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE
Deferred revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

As of June 30, 2005, the Library had no deferred revenue.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes. Designated fund balances represent amounts earmarked by the Library for future expenditures.

BUDGETS AND BUDGETARY ACCOUNTING

The Library follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets must be adopted for the general fund. Unexpended appropriations lapse at fiscal year-end.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING (Continued)

1. Prior to June 30 of the preceding fiscal year, the Library prepares a budget for the next fiscal year beginning July 01. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Library Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.

3. Prior to July 01, the budget is legally enacted through passage of a resolution by the members of the Library Board.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Library Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

PROPERTY TAX

Property taxes are levied on December 01 and payable by February 15 of each year. They are declared delinquent as of March 01 of the following year. Property taxes are recognized when they become available. The County of Iron purchases all delinquent real property taxes during the second quarter of each year, resulting in total collection of real property taxes each year. Delinquent personal property taxes are recorded as receivable if considered to be collectible.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX (Continued)
For the year ended June 30, 2005, the District's taxable valuation was $ 170,281,158, on which was levied 1.1948 mills for Library operating purposes.

NON-MONETARY TRANSACTIONS
The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

CAPITAL ASSETS
Capital outlays are recorded as expenditures of the General and Capital Project Funds, and as assets in the governmental-wide statements to the extent the Library's capitalization threshold of $ 300 is met.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)
Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings	**20 - 30 years**
Infrastructure . . .	**10 - 65 years**
Furniture and Other Equipment	**5 - 20 years**
Land Improvements . .	**20 years**

All assets are valued at historical cost or estimated historical cost if actual cost was not available.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Donated fixed assets are valued at their estimated fair market value on the date donated. Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

COMPENSATED ABSENCES

Sick Leave

Full time Library employees are granted sick leave at the rate of one day per month. Sick leave can be accumulated up to a maximum of 120 days with 50% paid upon resignation or retirement after 5 consecutive years of employment.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES (Continued)

***Sick Leave* (Continued)**
At June 30, 2005, the Library's liability for accrued sick leave, plus the related costs of FICA and Medicare, was $ 7,706.

Vacation
Full time Library employees may earn paid vacation after 6 full months of employment. The employees earn paid vacation as follows:

1) After 1 year of employment, the employees earn 5 days of paid vacation.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES (Continued)
Vacation (Continued)

2) After 2 years, the employees earn 10 days of paid vacation.

3) Thereafter, the employees earn 1 day per year up to a maximum of 20 days.

Vacation time may not carry over to the following year, nor may pay be granted in lieu of vacation time not taken.

Personal Leave
Full time Library employees are granted two days of personal leave per year with pay. Personal leave does not accumulate from year to year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

POST EMPLOYEE BENEFITS

The **West Iron District Library** provides no post-employment benefits.

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.

NOTE B – INTER-FUND ACTIVITIES

INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables do not represent inter-fund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

INTER-FUND RECEIVABLES AND PAYABLES (Continued)
Generally, these amounts clear shortly after year-end when resources become available.

Inter-fund receivables and payables for the fiscal year ended June 30, 2005 are as follows:

Fund	Inter-fund Receivable	Inter-fund Payable
Capital Projects Fund	$ 11778	$ 0
Permanent Fund	0	11778

OPERATING TRANSFERS
Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

OPERATING TRANSFERS (Continued)
During the fiscal year ended June 30, 2005, the Library authorized the following transfers:

Fund	Transfer In	Transfer Out
General Fund	$ 0	$ 4604
Debt Service Fund	4604	0

The General Fund transfers to the Debt Service Fund sufficient monies to pay the principal and interest on long-term debt.

OTHER FINANCING SOURCES (USES)
The transfers of cash between the various Library funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

PRIMARY GOVERNMENT

On June 30, 2005, the carrying value of the Library's deposits (Primary Government) was $ 197,322 and is comprised of cash and deposits reflected in the following funds:

Governmental Funds	
General Fund	$ 132012
Capital Projects Fund	51133
Perpetuity Fund	14177
Total	**$ 197322**

CASH AND DEPOSITS

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

These three levels of risk are as follows:

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

CASH AND DEPOSITS (Continued)

Category 1	Deposits which are insured or collateralized with securities held by the Library or by its agent in the Library's name.
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Library's name.
Category 3	Deposits which are not collateralized or insured.

Based on these levels of risk, the Library's cash deposits (Primary Government) are classified as follows:

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	Category 1	Category 2	Category 3	Totals
Cash and Deposits	$ 114727	$ -0-	$ 82595	$ 197322

INVESTMENTS

The Library's investments are categorized below to give an indication of the level of risk assumed at year-end. **Category 1** includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

JUNE 30, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS - (CONTINUED)

INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Library's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Library's name.

Investment Type	Category 1	Category 2	Category 3	Carrying Value	Market Value
Wells Fargo Stock	$ -0-	$ 84980	$ -0-	$ 84980	$ 84980
Edward Jones	-0-	141793	-0-	141793	141793
Total Investments	$ -0-	$ 226773	$ -0-	$ 226773	$ 226773

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Library to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.

5. Bankers acceptances of United States banks.

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

6. 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.

7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The Library has adopted an investment policy, allowing for all types of deposits and investments listed above. The Library's deposits and investments are in compliance with it's investment policy.

NOTE D - DEFERRED COMPENSATION PLAN

Description of plan

The **West Iron District Library** adopted the retirement plan for the Library effective July 01, 2000. The plan shall be maintained for the exclusive benefit of covered employees and is intended to comply with the eligible deferred compensation plan requirements under Section 457 of the Internal Revenue Code of 1986.

The purpose of this plan is to enable employees who become covered under the plan to enhance their retirement security by permitting them to enter into agreements with the employer to defer a portion of their compensation and receive benefits at retirement, death, or in the event of financial hardship due to unforeseeable emergencies. Participation in this plan shall not be construed to establish or create an employment contract between the employee and the employer.

NOTE D - DEFERRED COMPENSATION PLAN (CONTINUED)

Description of Plan (Continued)
Each employee who is considered a full time employee by the employer shall be eligible to enter the plan as a participant after completing a 3 month probationary period.

The employee's entry date into the plan shall be the same date the eligibility requirement is met. Each employee who becomes a participant must agree to defer a minimum of $20.00 per month. The employer's annual contribution will be an amount equal to 7% of each participant's compensation.

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS
P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS (CONTINUED)

BUDGET VIOLATIONS (CONTINUED)

The **West Iron District Library**'s actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **West Iron District Library** were adopted at the activity level.

The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The Library incurred no expenditures in excess of the amounts appropriated.

NOTE F - ACCUMULATED FUND DEFICITS

At June 30, 2005, the Library had no fund balance deficit in any fund.

NOTE G - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Library maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Library. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

NOTE H - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2005:

NOTE H - CAPITAL ASSETS (Continued)

Capital Assets Not Being Depreciated	Balance 6/30/04	Increases	Decreases	Balance 6/30/05
Land and Land Improvements	$ 75000	$ -0-	$ -0-	$ 75000
Total Capital Assets Not Being Depreciated	**75000**	**-0-**	**-0-**	**75000**
Other Capital Assets				
Buildings and Improvements	376595	1146	-0-	377741
Infrastructure	-0-	-0-	-0-	-0-
Furniture and Other Equipment	152062	1773	-0-	153835
Land Improvements	16650	-0-	-0-	16650
Total Other Capital Assets	**545307**	**2919**	**-0-**	**548226**
Less Accum. Depreciation for:				
Buildings and Improvements	(63928)	(8051)	-0-	(71979)
Infrastructure	-0-	-0-	-0-	-0-
Furniture and Other Equipment	(95185)	(12327)	-0-	(107512)
Land Improvements	(1986)	(833)	-0-	(2819)
Total Accum. Depreciation	**(161099)**	**(21211)**	**-0-**	**(182310)**
Other Capital Assets, Net	384208	(18292)	-0-	365916
Total Governmental Activities	**$ 459208**	**$ (18292)**	**$ -0-**	**$ 440916**

NOTE H - CAPITAL ASSETS (CONTINUED)

GOVERNMENTAL ACTIVITIES

Depreciation was charged to governmental functions as unallocated.

NOTE I - LONG-TERM DEBT

Following is a summary of changes in the Library's long-term debt:

	6/30/04	Increases	Decreases	6/30/05
Note Payable - Miners State Bank	$ 71321	$ -0-	$ 1165	$ 70156

NOTE I - LONG-TERM DEBT (CONTINUED)

NOTE PAYABLE - MINERS STATE BANK # 22022

On March 08, 2002, the Library purchased the former Header Inn property, located at 124 West Genesee Street, Iron River, Michigan for the purpose of future expansion of the Library. The purchase price of $ 75,000 was financed with a loan from the Miners State Bank. The original loan was renewed on March 08, 2005, with an interest rate of 5.5%. There will be monthly payments of $ 417.05 beginning April 08, 2005, and a balloon payment of $ 67, 041.42 due on March 08, 2008.

NOTE J - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

NOTE J - RELATED PARTY TRANSACTIONS (CONTINUED)

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

NOTE K - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

NOTE K - SUBSEQUENT EVENTS (CONTINUED)

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended June 30, 2005, there were no subsequent events that would have a significant affect on the Library's operations.

NOTE L - COMMITMENTS AND CONTINGENCIES

The Library participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies.

NOTE L - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Library has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectibility of any related receivable at June 30, 2005 may be impaired.

In the opinion of the Library, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

REQUIRED SUPPLEMENTAL INFORMATION

WEST IRON DISTRICT LIBRARY

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL
REVENUE			
General Property Taxes	$ 260,719	$ 260,719	$ 201,847
Other Taxes	1,200	1,200	1,989
User Fees	1,800	1,800	2,459
Penal Fines	41,603	41,603	41,604
Use of Money and Property	600	600	1,928
Donations	1,500	1,500	1,835
Other Revenue	4,100	4,100	3,618
Intergovernmental	5,700	5,700	8,310
TOTAL REVENUE	**$ 317,222**	**$ 317,222**	**$ 263,590**
EXPENDITURES			
Salaries and Wages	97,600	97,600	97,550
Employee Benefits / Employee Taxes	51,700	51,700	48,946
Books, Videos, Periodicals	58,100	58,100	53,130
Printing and Advertising	750	750	471
Special Programs	12,900	12,900	11,095
Insurance	4,000	4,000	3,584
Supplies	18,100	18,100	11,780
Utilities	11,700	11,700	9,828
Memberships and Dues	2,400	2,400	1,184
Travel and Education	4,700	4,700	524
Office Expense and Postage	23,900	23,900	19,460
Professional Fees	6,597	6,597	6,055
Repairs and Maintenance	12,525	12,525	9,307
Capital Outlay	6,200	6,200	2,919
Other	6,050	6,050	1,456
TOTAL EXPENDITURES	**$ 317,222**	**$ 317,222**	**$ 277,289**
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	(4,604)
TOTAL OTHER FINANCING SOURCES (USES)	**-**	**-**	**(4,604)**
NET CHANGE IN FUND BALANCE	-	-	(18,303)
FUND BALANCE - BEGINNING OF YEAR	135,310	135,310	135,310
FUND BALANCE - END OF YEAR	**$ 135,310**	**$ 135,310**	**$ 117,007**

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

WEST IRON DISTRICT LIBRARY

BALANCE SHEET - GENERAL FUND

JUNE 30, 2005

	2005	2004
ASSETS		
Cash and Deposits		
Restricted	$ -	$ -
Unrestricted	132,012	126,033
Taxes Receivable	280	21,462
TOTAL ASSETS	**$ 132,292**	**$ 147,495**
LIABILITIES AND FUND EQUITY		
Liabilities		
Accrued Expenses	11,321	9,764
Accounts Payable	3,964	2,421
Total Liabilities	15,285	12,185
Fund Equity		
Unreserved	117,007	135,310
Total Fund Equity	117,007	135,310
TOTAL LIABILITIES AND FUND EQUITY	**$ 132,292**	**$ 147,495**

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET – GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2005

(With Comparative Totals for Fiscal Year Ended June 30, 2004)

	FISCAL YEAR ENDED JUNE 30, 2005			FISCAL YEAR ENDED 6/30/04
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
REVENUES				
Local Sources				
Property Taxes	$201,847	$260,719	$ (58,872)	$194,572
Other Taxes	1,989	1,200	789	1,140
User Fees	2,459	1,800	659	2,535
Penal Fines	41,604	41,603	1	40,348
Interest and Dividends	1,928	600	1,328	2,044
Gifts, Memorials, and Assessments	1,835	1,500	335	4,807
Fines and Miscellaneous	3,618	4,100	(482)	3,309
Grants	2,575	-	2,575	4,498
Total Local Sources	**257,855**	**311,522**	**(53,667)**	**253,253**
State Sources				
State Aid	5,735	5,700	35	8,373
Total State Sources	**5,735**	**5,700**	**35**	**8,373**
TOTAL REVENUE	**$263,590**	**$317,222**	**$ (53,632)**	**$261,626**
EXPENDITURES				
COMMUNITY SERVICES				
Salaries and Wages	97,550			90,672
Payroll Taxes	8,948			6,935
Employee Benefits	39,998			31,441
Books, Cassettes, and Periodicals	53,130			39,665
Special Programs	11,095			7,059
Printing / Advertising	471			543
Insurance	3,584			3,341
Supplies	11,780			11,902
Utilities	9,828			8,060
Membership and Dues	1,184			4,804
Travel and Education	524			-
Office Expense & Postage	19,460			14,890
Professional Fees	6,055			5,646
Repairs and Maintenance	502			684
Cleaning / Snow Removal	8,805			7,926
Election	-			6,734
Other	1,456			380
Total Community Services	**$274,370**	**$311,022**	**$ 36,652**	**$240,682**

The notes to the financial statements are an integral part of this report.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET – GENERAL FUND (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2005
(With Comparative Totals for Fiscal Year Ended June 30, 2004)

	FISCAL YEAR ENDED JUNE 30, 2005			FISCAL YEAR ENDED 6/30/04
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
Capital Outlay	**$ 2,919**	**$ 6,200**	**$ 3,281**	**$ 6,544**
TOTAL EXPENDITURES	**$277,289**	**$317,222**	**$ 39,933**	**$247,226**
Excess of Revenues Over (Under) Expenditures	(13,699)	-	(13,699)	14,400
OTHER FINANCING SOURCES (USES)				
Operating Transfers In (Out)	(4,604)	-	(4,604)	8,154
Total Other Financing Sources (Uses)	**(4,604)**	**-**	**(4,604)**	**8,154**
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(18,303)	-	(18,303)	22,554
FUND BALANCE, JULY 1	135,310			112,756
FUND BALANCE, JUNE 30	**$117,007**			**$135,310**

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

BALANCE SHEET – CAPITAL PROJECTS FUND

JUNE 30, 2005

	2005	2004
ASSETS		
Cash and Deposits		
Restricted	$ -	$ -
Unrestricted	51,133	176,667
Investments	226,773	14,288
Due from Other Funds	11,778	11,778
TOTAL ASSETS	**$ 289,684**	**$ 202,733**
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts Payable	-	-
Total Liabilities	-	-
Fund Equity		
Unreserved	289,684	202,733
Total Fund Equity	289,684	202,733
TOTAL LIABILITIES AND FUND EQUITY	**$ 289,684**	**$ 202,733**

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

CAPITAL PROJECTS FUND
STATEMENT OF REVENUES AND EXPENDITURES

JUNE 30, 2005
(With Comparative Totals for Fiscal Year Ended June 30, 2004)

	2005	2004
REVENUE		
Interest and Dividends	$ 6,409	$ 3,958
Gifts and Memorials	43,191	155,189
Other	-	-
Total Revenue	**$ 49,600**	**$159,147**
EXPENDITURES		
Property Acquisition	-	-
Furniture and Fixtures	-	-
Other Costs	32,162	3,349
Total Expenditures	**32,162**	**3,349**
Excess of Revenue Over (Under) Expenditures	17,438	155,798
OTHER FINANCING SOURCES (USES)		
Operating Transfers In (Out)	-	(13,175)
Market Gains (Losses)	69,513	-
Total Other Financing Sources (Uses)	**69,513**	**(13,175)**
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	86,951	142,623
FUND BALANCE, JULY 1	202,733	60,110
FUND BALANCE, JUNE 30	**$289,684**	**$202,733**

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

BALANCE SHEET - DEBT SERVICE FUND

JUNE 30, 2005

	2005	2004
ASSETS		
Cash and Deposits		
Restricted	$ -	$ -
TOTAL ASSETS	$ -	$ -
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts Payable	-	-
Total Liabilities	-	-
Fund Equity		
Unreserved	-	-
Total Fund Equity	-	-
TOTAL LIABILITIES AND FUND EQUITY	$ -	$ -

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

JUNE 30, 2005
(With Comparative Totals for Fiscal Year Ended June 30, 2004)

	2005	2004
REVENUE		
Interest and Dividends	$ -	$ -
Total Revenue	-	-
EXPENDITURES		
Principal	1,165	1,600
Interest	3,439	3,421
Total Expenditures	4,604	5,021
Excess of Revenue Over (Under) Expenditures	(4,604)	(5,021)
OTHER FINANCING SOURCES (USES)		
Operating Transfers In (Out)	4,604	5,021
Total Other Financing Sources (Uses)	4,604	5,021
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-
FUND BALANCE, JULY 1	-	
FUND BALANCE, JUNE 30	$ -	$ -

The notes to the financial statements are an integral part of this report.

WEST IRON DISTRICT LIBRARY

PERMANENT FUND
STATEMENT OF CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCE

FISCAL YEAR ENDED JUNE 30, 2005

	BALANCE JULY 1, 2004	INCREASES	DECREASES	BALANCE JUNE 30, 2005
ASSETS				
Cash and Deposits	$ 14,220	$ -	$ 43	$ 14,177
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Due to Other Funds	11,778	-	-	11,778
FUND EQUITY				
Fund Balance, Restricted	2,442	-	43	2,399
TOTAL LIABILITIES AND FUND EQUITY	$ 14,220	$ -	$ 43	$ 14,177

The notes to the financial statements are an integral part of this report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
West Iron District Library
Iron River, Michigan 49935

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **West Iron District Library** as of and for the year ended June 30, 2005, which collectively comprise the **West Iron District Library**'s basic financial statements, and have issued our report thereon dated January 19, 2006. We conducted our 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **West Iron District Library**'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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 reportable 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 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. We noted no such matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **West Iron District Library**'s financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the **West Iron District Library,** Iron River, Michigan in a separate letter dated January 19, 2006.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

January 19, 2006

DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042

January 19, 2006

Board of Trustees
West Iron District Library
Iron River, Michigan 49935

We have audited the financial statements of the **West Iron District Library** for the year ended June 30, 2005, and have issued our report thereon dated January 19, 2006. Professional standards require that we provide you with the following information related to the audit:

Our Responsibility under Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated June 27, 2005, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us..

As part of the audit, we considered the internal control of the **West Iron District Library.** Such considerations were solely for the purpose of determining the audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the **West Iron District Library's** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the **West Iron District Library** are described in the Note to the financial statements. There were new accounting policies adopted and the application of existing policies was not changed during this year. We noted no transactions entered into by the **West Iron District Library** during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no sensitive estimates affecting the financial statements as presented.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the **West Iron District Library** that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the **West Iron District Library**'s financial reporting process.

Disagreements with Management

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

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the **West Iron County District Library's** auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing the audit.

This information is intended solely for the use of the Board and management of the **West Iron District Library** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042

Board of Trustees
West Iron District Library
Iron River, MI 49935

In planning and performing the audit of the financial statements of the **West Iron District Library**, we considered the internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated January 19, 2006 on the financial statements of the **West Iron District Library**. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate officials, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. Our comments are summarized as follows:

FISCAL MANAGEMENT

Problem

In our opinion, for the year ended June 30, 2005, the Library's Capital Project Fund and the Endowment Fund lacked even a basic set of adequate records. Six months after the end of the Library's fiscal year end, there were no records available from which to base our audit procedures. The audit therefore could not be completed within the time frame required by the State of Michigan. This extreme level of disorganization has the potential to cause serious errors in the financial records and financial statements. There is also a substantial risk that irregularities such as fraud and defalcation could occur and, because there is no reliable system of detection, continue undetected.

Recommendation

This severe situation should be corrected as soon as possible with the establishment of an accounting system that contains adequate controls and related checks and balances. The future of the Library is dependent on its ability to establish and maintain books and records that produce timely and accurate financial information.

RECEIPTING PROCESS

Problem

In the Capital Projects Fund and the Endowment Fund, there exists no standard procedure for receiving and receipting checks. No receipts are written, and checks from donations and other sources are not being deposited on a timely basis. This practice opens the Library to the threat of loss or theft of Library funds.

Recommendation

We recommend that the following procedures be implemented to greatly improve internal control:

Checks should be immediately endorsed when they are received, and a receipt recorded in a three-part receipt book. Type of payment (cash or check) should always be indicated on the receipt. One copy of the receipt should be provided to the payee, a second copy should be turned in monthly to the bookkeeper with the bank statements, and a third copy should remain bound in the receipt book. Checks should be deposited to the bank on a timely basis. Deposit slips should be matched against the list of receipts to ensure that all amounts on the receipts were deposited.

ON A MONTHLY BASIS, all bank statements, along with deposit receipts, a copy of the check register, all remittance stubs and copies of all invoices paid should be turned in to the bookkeeper for processing.

DOCUMENT MANAGEMENT

Problem

Supporting documentation involving the Endowment and Capital Projects Funds is not being properly retained. In the course of our audit, we noted several remittance stubs that had been either lost or misplaced.

Recommendation

All documents must be properly and timely filed for future retrieval, as required.

We believe that the implementation of these recommendations will provide the **West Iron District Library** with a stronger system of internal accounting control while also making its operations more efficient.

This report is intended solely for the information and use of the Board of Trustees and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

Dianne S. Rostagno

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

January 19, 2006