Vicksburg District Library
Vicksburg, Michigan

Annual Financial Statements
and
Auditors' Report

February 28, 2005

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LOCAL AUDIT & FINANCE DIV.

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Michigan Department 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	Vicksburg District Library	Kalamazoo

Audit Date	Opinion Date	Date Accountant Report Submitted to Sate:
02/28/05	04/21/05	06/16/05

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

We affirm that:

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

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

You must check the applicable boxes 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)			
Yeo & Yeo, P.C.			
Street Address	City	State	ZIP
710 E Milham	Kalamazoo	MI	49002
Accountant Signature Carol Pettridge CPA			

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Vicksburg District Library
Vicksburg, Michigan
Members of the Library Board and Administration
February 28, 2005

MEMBERS OF THE LIBRARY BOARD

Reed Kendall	President
Cathy Brockington	Vice President
Louise Russell	Treasurer
John J. Burns, III	Secretary
Cheryl Lee	Trustee
Lori Ensing	Trustee
James Hillenbrand	Trustee
Beverly Haas	Trustee

ADMINISTRATION

Carolyn Sutter	Library Director

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710 E. Milham
Kalamazoo, MI 49002
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Independent Auditors' Report

Members of the Library Board
Vicksburg District Library
Vicksburg, Michigan

We have audited the accompanying basic financial statements of Vicksburg District Library as of February 28, 2005, as listed in the table of contents. These financial statements are the responsibility of Vicksburg 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Vicksburg District Library as of February 28, 2005 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Vicksburg District Library. We did not examine this data and, accordingly, do not express an opinion thereon.

As discussed in Note 1, the Library adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

Yeo & Yeo, P.C.

Kalamazoo, Michigan

April 22, 2005

What is GASB 34?

GASB is a non-profit agency that developed this new financial reporting model over 10 years. It operates with donated funds collected on its behalf by the Financial Accounting Foundation. These standards were required to be implemented in stages based on the amount of annual revenue of the municipality or jurisdiction. VDL was in the last phase so this is our first year of reporting with these standards. The standards require this Management Discussion & Analysis Letter.

Introduction

This section of the Library's annual financial report presents discussion and analysis of the Library's financial performance during the Library's fiscal year ended February 28, 2005 in context. It should be read in conjunction with the Library's audited financial statements, found in the following sections referred to by number in this letter. The purpose of the discussion and analysis is as an introduction to those financial statements, which are a broad overview of the Library's finances. They consist of a series of financial statements organized by the auditor to present the Library financially as a whole. They are another way of summarizing the library's financial status at the end of the fiscal year than the February financial statement/balance sheets done internally. This is the first year that these financial reports were required to comply with GASB 34 standards and methods.

Part I

Financial Analysis of the Library as Whole – Financial Highlights The first sections of the Library's financial statements report information about the Library as a whole and changes from the prior year. The Library's Assets minus its Liabilities results in the Net Assets as viewed on 4-1.

Statement of Assets

Assets: The Library's Net Assets increased by $54,668 in 2004/2005. The main reasons for the increase were increased revenue in gifts and grants and GASB 34 bookkeeping changes.

Revenue: The Library's main source of revenue is property taxes, also referred to as millage. The property taxes represent 68.6% of all revenue in 04/05. This revenue increased from $ 198,996 to $206,327 or 3.6 % from the prior fiscal year. Penal fine revenues for VDL after deducting SCL's share were $28,687.44 in the previous year, down to $22,455.06 this year. The reason for this decline is not known. One speculation is that fewer patrol cars were writing fewer tickets due to state and local budget cuts. Memorial Fund donations totaled $738. This number fluctuates greatly from year to year.

Expenses: Common to most organizations, the most significant expense is the personnel part of the budget/expenses. These increased by $14,586 or 11.8% in this reporting year due to a general wage increase of about 3% and the addition of staff hours for special projects. New for this reporting year is $24,798 in depreciation expenses.

These can be found on page 4-2 in the audit report.

This section is followed by a Statement of Activities for the reported fiscal year. It gives more specific information on how the Library's net assets changed during that year.

Part II

Statement of Activities

This portion of the report presents information on how the Library's net assets changed over the year through its revenues and expenditures

Liabilities

This accounting on page 4-1 lists salaries and benefits payable in the next FY, and revenue held or deferred until the next FY, which are considered liabilities in the current Fiscal Year, owed to the next year.

Net Assets

The results of this year's operation for the Library as a whole are reported in the statement of activities which shows the sources of revenue and amount from each for the year 2004.

Property taxes for operations and penal fines constitute the vast majority of the Library's operating revenue sources. The Library Board and Director must annually evaluate the needs of the Library and balance those needs with other available unrestricted resources.

Part III

Financial Analysis of the Library's Funds

The Library has 3 funds: Memorial Fund, General Fund and the designation for all other monies - Prior Years Fund Balance. This last has an informal separation into capital projects and building/expansion fund. The board has adopted language to describe these monies in general which can be found in the Policy Manual, but has not adopted the separation or how funds are added to each. The Library Board has the ability to create separate funds to help manage money for specific purposes, or to maintain accountability for certain activities such as a capital campaign fund or Capital Projects Fund.

General Fund

General fund is all revenue deferred for and booked for, to be used in the current fiscal year. The General Fund activities saw revenues exceed expenditures by $54,668. It has already been pointed out that property taxes are the Library's primary source of revenue at 62.4% of its revenues. In this year $32,209 was received as undesignated gift revenue from the two Little Trusts. $5,391 was received from the Vicksburg Foundation to fund about fifty percent of the new multi-media projection system. That system was the major electronic project of the fiscal year.

The Board in recent history has amended the budget several times during the year to reflect changes in revenue and expenditures in order to carefully monitor both. The original budget attempts to be conservative in both revenue and expenditures so that future changes usually reflect a positive change with more funds available.

Revenues exceeded the final budget number by $18,934. Expenditures fell below the final budget numbers by $49,079. A big part of the expenditures gap was the decision to not budget or spend the Little Trust money, but hold it for future expansion.

Fines and fees revenue was $14,830.

Because of a very successful fund drive and the use of building trades classes, the library addition, opened in 1986, has no debt. The original library was built in 1902 and given to the Ladies Library Association by Fannie Bair, so there was no debt there either. This is a remarkable accomplishment.

Memorial Fund

These are monies given to the library that are specifically designated for purchase of material in memory of specific people. Because it is designated revenue, it is not separated and dropped into the Prior Years Fund Balance at the end of any fiscal year, but accounted for separately and continued into the next fiscal year. The amount in this fund as of February 28, 2005 was about $10,250.

It has been the practice of the Library to zero out any specific memorial gift account that has a balance of less than $5. That very small amount of money will then be reflected in the Prior Year Fund Balance. This practice should be stated in the Library's Policy Manual.

PYFB

This acronym designates Prior Years Fund Balance for money that was unused in a prior fiscal year for whatever reason. This fund can be used as a cushion for a reduction in revenues to pay operational expenses in any year, to fund expensive capital projects or purchases or some of it (non-tax revenue) can be reserved for future capital projects including land purchase or construction.

Part IV

Library Budgetary Highlights

Over the course of the year the Library Board amends the budget to reflect actual income and expenses real and anticipated. This was the last of three years that the Library used the Wakeshma Escrow Account. The Vicksburg Foundation contributed $5,391 toward the new multi-media projection system. Our penal fines were lower than anticipated, but State Aid was a little better than anticipated. Our phone/ISDN costs were reduced when we switched to DSL.

Improvements Suggested Last Year and Status

With the new accounting standards, the Library was obligated to define capital expenditure by cost and other factors and to do depreciation schedules for all property, old and new. This was done and became part of the Library's policy.

Economic factors and next year

The Library's property tax income is fairly steady, but would be affected by a downturn in real estate values. The Board has already adopted the maximum millage rate for next year and the County Assessor has already determined the property values for next year. Our millage rate, reduced by Headlee, will be .8470 percent of a mill. The Village Manager has told us there will be more Brownfield TIFAs, which would take tax income from the Library. Penal fine income is always under attack by other agencies and even if it stays with libraries, we are dependent on the fines being levied. Other areas of funding in danger are State Aid and our penal fine revenue from Wakeshma. The first has major cuts proposed. The proposed new revisions to the District Library Act in SB 512 requires any township that contracts with a district library to pay as much on a per-capita basis for the library service as the citizens within the District. They would probably not agree and the Library would lose penal fine and state aid revenue as well as much of the card fees.

Part V

Capital Assets Administration

As of February 28, 2005 the Library had $320,230 invested in capital assets including land, building, furniture and equipment in accordance with its capitalization policy. Section 4-10.

Contacting the Library's Financial Management

If you have questions about this report or would like additional information, contact the Library Director at 215 South Michigan Avenue, Vicksburg, MI 49097 or call (269) 649-1648.

Vicksburg District Library
Statement of Net Assets
February 28, 2005

	Governmental Activities
Assets	
Current assets	
Cash	$ 315,723
Due from other governments	4,933
Taxes receivable	132,465
Accounts receivable	17,000
Total current assets	470,121
Noncurrent assets	
Capital assets	
Land	3,585
Building and improvements	430,978
Equipment and furniture	32,506
Library books	316,682
Less: accumulated depreciation	(463,521)
Total noncurrent assets	320,230
Total assets	790,351
Liabilities	
Current liabilities	
Salaries and benefits payable	11,461
Deferred revenue	254,139
Total liabilities	265,600
Net Assets	
Invested in capital assets	320,230
Unrestricted	204,521
Total net assets	$ 524,751

See Accompanying Notes to Financial Statements

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Vicksburg District Library
Statement of Activities
For the Year Ended February 28, 2005

Revenue	
Property taxes	$ 246,819
Single business tax	1,491
State aid	14,837
Penal fines	34,372
Interest on investments	2,559
Contributions and donations	42,773
Library fines and fees	14,830
Other miscellaneous	2,039
Total revenue	359,720
Expenses	
Conferences, workshops, and travel	2,471
Insurance	4,897
Library books and materials	16,160
Memberships	6,664
Miscellaneous	2,080
Professional fees	7,770
Program costs	14,474
Repair and maintenance	2,063
Salaries and fringe benefits	145,961
Special projects	40,492
Supplies	13,880
Technology	12,492
Utilities	10,850
Depreciation	24,798
Total expenditures	305,052
Change in net assets	54,668
Net assets - beginning of year	470,083
Net assets - end of year	$ 524,751

See Accompanying Notes to Financial Statements

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Vicksburg District Library
Balance Sheet - Governmental Funds
February 28, 2005

		General Fund
Assets		
Cash	$	315,723
Due from other governments		4,933
Taxes receivable		132,465
Accounts receivable		17,000
Total assets	$	470,121
Liabilities and Fund Balance		
Liabilities		
Salaries and benefits payable	$	11,461
Deferred revenue		254,139
Total liabilities		265,600
Fund Balance		
Designated for memorials		10,337
Undesignated		194,184
Total fund balance		204,521
Total liabilities and fund balance	$	470,121

See Accompanying Notes to Financial Statements

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Vicksburg District Library
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
February 28, 2005

Total fund balances for governmental funds		$ 204,521
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 3,585	
Buildings and improvements	430,978	
Equipment and furniture	32,506	
Library books	316,682	
Less: accumulated depreciation	(463,521)	320,230
Net assets of governmental activities		$ 524,751

See Accompanying Notes to Financial Statements

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Vicksburg District Library
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended February 28, 2005

	General Fund
Revenues	
Property taxes	$ 246,819
Single business tax	1,491
State aid	14,837
Penal fines	34,372
Interest on investments	2,559
Contributions and donations	42,773
Library fines and fees	14,830
Other miscellaneous	2,039
Total revenues	359,720
Expenditures	
Conferences, workshops, and travel	2,471
Insurance	4,897
Library books and materials	31,054
Memberships	6,664
Miscellaneous	2,080
Professional fees	7,770
Program costs	14,474
Repair and maintenance	2,063
Salaries and fringe benefits	145,961
Special projects	40,492
Supplies	13,880
Technology	12,492
Utilities	10,850
Total expenditures	295,148
Excess of revenues over expenditures	64,572
Fund balance - beginning	139,949
Fund balance - ending	$ 204,521

See Accompanying Notes to Financial Statements

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Vicksburg District Library

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended February 28, 2005

Net change in fund balances - total governmental funds		$ 64,572
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 14,894	
Depreciation expense	(24,798)	(9,904)
Change in net assets of governmental activities		$ 54,668

See Accompanying Notes to Financial Statements

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NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Vicksburg District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Library's significant accounting policies:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Library's activities
- A change in the fund financial statements to focus on the major funds

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Reporting Entity

The Library is located in Vicksburg, Michigan and is governed by an appointed eight-member board. The Library is primarily funded through a tax levy, fines and fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts (1) invested in capital assets, net of related debt (2) restricted net assets, and (3) unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other

items are not properly included among program revenues, and are reported instead as general revenue.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Library reports the following major governmental funds:

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

Financial Statement Amounts

Bank Deposits and Investments – The Library has defined cash and cash equivalents to include cash on hand, demand deposits and short-term investments with maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Property taxes are levied on December 1st based on the taxable valuation of the property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets are defined by the Library as assets with an initial cost of more than $2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated assets are reported at an estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 – 50 years
Furniture and equipment	5 – 10 years
Improvements	10 – 20 years
Books	5 years

Compensated Absences – It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library. Vacation leave is accrued as the benefits are earned by the employees, as the leave is attributable to past service and it is probable that the Library will compensate the employees for the benefits through paid time off. Employees must use earned vacation time within one year from their anniversary date.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to change.

Comparative Data

Comparative data is not included in the Library's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General Fund. All annual appropriations lapse at fiscal year end.

The appropriation level adopted by the Board is the level of control authorized under the Act. State law requires the Library to have its budget in place by February. A library is not considered in violation of the Act if reasonable procedures are in use by the library to detect violations.

Budgeted amounts are as originally adopted, or as amended by the Library Board throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Appropriations lapse at year end and therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the Library's investment policy authorize the Library to make deposits in the accounts of federally insured banks and credit unions, that have an office in Michigan; the Library is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Library's deposits and investments are in accordance with statutory authority.

At yearend, the Library's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and cash equivalents	$ 315,723

The deposits of the Library were reflected in the accounts of financial institutions at $315,878 of which $315,878 is covered by federal depository insurance.

NOTE 4 - GENERAL FIXED ASSETS

A summary of the changes in general fixed assets is as follows:

	Balance March 1, 2004	Additions	Deletions	Balance February 28, 2005
Assets not being depreciated				
Land	$ 3,585	$ -	$ -	$ 3,585
Other capital assets				
Buildings and improvements	430,978	-	-	430,978
Furniture and equipment	32,506	-	-	32,506
Library books	301,788	14,894	-	316,682
Subtotal	768,857	14,894	-	783,751
Accumulated depreciation	(438,723)	(24,798)	-	(463,521)
Net book value	$ 330,134	$ (9,904)	$ -	$ 320,230

Depreciation for the year ended February 28, 2005 amounted to $24,798.

NOTE 5 - RISK MANAGEMENT

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

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Library is an agent for a multiple-employer, defined benefit pension plan with the Municipal Employees' Retirement Systems (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty and duty death allowances, and post-retirement adjustments to plan members and their beneficiaries. The most recent period for which actuarial data was available was for the year ended December 31, 2003. MERS was organized pursuant to Section 12a of Act 156, Public Acts of 1851 (MSA 5.3339(a); MCLA 46.12(a), as amended, Statement of Michigan. MERS is regulated under Act 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission.

MERS issues a publicly-available financial report that includes financial statements and required supplemental information for the retirement system. That report may be obtained by writing to Municipal Employees Retirement Systems of Michigan, 447 Canal Road, Lansing, MI 48917-9755.

Funding Policy

MERS members are required to contribute an amount varying from 0.0% to 10.0%, depending upon which plan they fall under. The Library is required to contribute at an actuarially-determined rate; the current rate is 10.53% of annual covered payroll depending on the plan. The contribution requirements of plan members and the commission are established, and may be amended by MERS.

NOTE 6 - DEFINED BENEFIT PLAN (continued)

Annual Pension Cost

For the year ended February 28, 2005, the Library contributions were $3,365, which were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined using the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulated sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used included (a) 8.0% long-term net investment rate of return, (b) projected salary increases of 4.5% per year, and (c) 4.5% per year cost-of-living adjustments. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Trend Information

Fiscal Year Ended February 28,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2001	$ 2,783	100%	$ -
2002	576	100%	-
2003	2,019	100%	-
2004	3,365	100%	-

NOTE 7 - FUND EQUITY

Specific designations include the following:

Designated for memorials and donations – This designation was created to indicate funds set aside for memorials and donations that are donor-restricted.

Vicksburg District Library
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended February 28, 2005

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	$ 237,770	$ 246,538	$ 246,819	$ 281
Single business tax	700	1,100	1,491	391
State aid	4,711	9,887	14,837	4,950
Penal fines	28,000	26,325	34,372	8,047
Interest on investments	3,500	3,500	2,559	(941)
Contributions and donations	3,850	9,031	42,773	33,742
Library fines and fees	10,950	12,860	14,830	1,970
Other miscellaneous	1,952	2,382	2,039	(343)
Total revenues	291,433	311,623	359,720	48,097
Expenditures				
Conferences, workshops, and travel	3,000	3,000	2,471	(529)
Insurance	5,000	5,000	4,897	(103)
Library books and materials	26,000	35,507	31,054	(4,453)
Memberships	2,000	6,772	6,664	(108)
Miscellaneous	5,550	2,750	2,080	(670)
Professional fees	10,375	8,875	7,770	(1,105)
Program costs	8,350	15,916	14,474	(1,442)
Repair and maintenance	6,300	2,650	2,063	(587)
Salaries and fringe benefits	147,270	156,200	145,961	(10,239)
Special projects	39,959	39,959	40,492	533
Supplies	15,275	16,064	13,880	(2,184)
Technology	19,529	13,544	12,492	(1,052)
Utilities	10,850	12,861	10,850	(2,011)
Total expenditures	299,458	319,098	295,148	(23,950)
Excess (deficiency) of revenues over expenditures	(8,025)	(7,475)	64,572	72,047
Fund balance - beginning	139,949	139,949	139,949	-
Fund balance - ending	$ 131,924	$ 132,474	$ 204,521	$ 72,047

Vicksburg District Library
Required Supplemental Information
Analysis of Funding Progress - Employee Retirement System
February 28, 2005

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated.

Schedule of Funding Progress

Actuarial Valuation Date December 31	Actuarial Value of Assets (a)	Accrued Liability (AAL) Entry Age (b)	Actuarial Underfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1997	$ 16,111	$ 19,446	$ 3,335	83%	$ 38,624	9%
1998	19,879	25,779	5,900	77%	41,234	14%
1999	24,954	24,050	(903)	104%	20,487	-4%
2000	31,010	28,930	(2,080)	107%	44,089	-5%
2001	36,848	42,481	5,633	87%	28,836	20%
2002	34,283	43,800	9,517	78%	27,654	34%
2003	35,077	49,780	14,703	71%	31,178	47%