BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

LENOX TOWNSHIP LIBRARY

New Haven, Michigan

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

PREPARED IN ACCORDANCE WITH GASB 34

June 30, 2004

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

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

Local Government Type MUNICIPAL LIBRARY	Local Government Name	County
☐ City ☐ Township ☐ Village ☑ Other	LENOX TOWNSHIP LIBRARY	MACOMB

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
6/30/04	9/23/04	10/27/04

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.

OCT 28 2004
ACCOUNTING & FINANCE DIV

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)			
BUSS & COMPANY, P.C.			
Street Address	City	State	ZIP
42550 GARFIELD, SUITE 105	CLINTON TWP.	MI	48038
Accountant Signature		Date	
JOHN E. GIDEON		10/27/04	

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
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BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

INDEPENDENT AUDITOR'S REPORT

September 23, 2004

Board of Trustees
Lenox Township Library
New Haven, Michigan

Honorable Members:

We have audited the accompanying financial statements of the Lenox Township Library, a component unit of Lenox Township, as of June 30, 2004, and for the year then ended. These financial statements are the responsibility of the 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I A, the financial statements present only the Lenox Township Library and are not intended to present fairly the financial position and changes in financial position for the year then ended of Lenox Township, County of Macomb, Michigan, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Lenox Township Library as of June 30, 2004, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

As described in Note VII, the Library implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments as of July 1, 2003.

The management's discussion and analysis on pages 3 through 4 and budgetary comparison information on page 15, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully,

BUSS & COMPANY, P.C.

Buss & Company PC

Certified Public Accountants

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LENOX TOWNSHIP LIBRARY
New Haven, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

Using this Annual Report

This annual report consists of three parts - *Management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library:

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the Library's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

- The governmental fund financial statements include information on the Library under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below provides key financial information in a condensed format for the current year. Since this is the first year the Library has prepared financial statements following GASB Statement 34, comparisons to the prior year are not available.

Current assets	$415,145
Capital assets	184,516
Total Assets	$599,661
Other liabilities	$ 9,203
Total Liabilities	$ 9,203
Net Assets:	
Invested in capital assets, net of debt	$184,516
Unrestricted	405,942
Total Net Assets	$590,458
Revenue:	
Property taxes	$275,099
Other	34,188
Total Revenue	$309,287
Expenses - Library services	213,969
Change in Net Assets	$ 95,318

(Continued)

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
June 30, 2004

The Library as a Whole

- The Library's net assets increased by $95,318 this year. The primary reason for the increase is the continued growth of the Library's property tax base, which increased 9.5% from the prior year.
- The Library's primary source of revenue is from property taxes, which represents 89% of total revenue.
- Total expenses were 69% of total revenue for the year. Salaries amount to approximately 48% of total expenditures. Benefits amount to 10% of total expenditures.

The Library's Fund

Our analysis of the Library's fund is included on pages 7 and 9. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages. All of the Library's activities are reported in a single fund.

The fund balance of the Library increased during the current year by $100,987. The increase exceeded the budgeted increase of $ -0- by $100,987. Revenues exceeded budgeted amounts by $38,594 due primarily to property taxes increasing more than expected. Budgeted expenditures exceeded actual expenditures by $62,393 due primarily to salaries and fringes not increasing as much as expected.

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The amendments made during the year simply reallocated certain budgeted expenses; there were no changes to total revenues or expenditures.

Capital Assets

At the end of the fiscal year, the Library had $303,046 invested in buildings and improvements, furniture and fixtures, equipment, and books and materials. The Library added $18,858 in new collection items consisting of new books, various audio/visual materials and computer equipment and shelving.

Economic Factors and Considerations for Next Year

The Library's tax base continues to increase with the growth of the Township. We, however, need to continue to watch our budget very closely. Expenditures that will be especially important in the coming year include health insurance benefits which have shown significant increases in the last few years and employee compensation, because it is such a significant portion of the Library's operating expenses.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director, at 58976 Main Street, New Haven, Michigan 48048.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Exhibit 1

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
STATEMENT OF NET ASSETS
June 30, 2004

ASSETS	
Cash and cash equivalents	$393,896
Library Cooperative of Macomb account	11,588
Taxes receivable	5,249
Prepaid expenditures	4,412
Capital assets - Net of accumulated depreciation	184,516
Total Assets	$599,661
LIABILITIES	
Accounts payable and accrued liabilities	$ 3,954
Deferred revenue	5,249
Total Liabilities	$ 9,203
NET ASSETS	
Invested in capital assets, net of related debt	$184,516
Unrestricted	405,942
Total Net Assets	$590,458

See accompanying notes to financial statements.

Exhibit 2

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES
FUNCTION/PROGRAM:			
Governmental Activities:			
Library services/operations	$213,969	$ 7,088	($206,881)
GENERAL REVENUES:			
Property taxes			$275,099
State revenues			19,320
Interest on investments			1,781
Contributions and donations			600
Centralized purchasing			5,399
Total General Revenues			$302,199
CHANGE IN NET ASSETS			$ 95,318
NET ASSETS:			
Beginning of year			495,140
End of year			$590,458

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Exhibit 3

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
COMPARATIVE BALANCE SHEET
June 30, 2004 and 2003

	2004	2003
ASSETS		
Cash	$393,896	$296,143
Library Cooperative of Macomb account	11,588	7,964
Taxes receivable	5,249	6,400
Prepaid expenditures	4,412	4,850
Total Assets	$415,145	$315,357
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	$ 3,954	$ 4,002
Deferred Revenue - Property taxes	5,249	6,400
Total Liabilities	$ 9,203	$ 10,402
FUND BALANCE:		
Unreserved, Undesignated	405,942	304,955
Total Liabilities and Fund Balance	$415,145	$315,357

See accompanying notes to financial statements.

Exhibit 4

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS
For The Year Ended June 30, 2004

TOTAL FUND BALANCE - MODIFIED ACCRUAL BASIS		$405,942
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 governmental funds:		
The cost of capital assets is	$303,046	
Accumulated depreciation	(118,530)	
Total		184,516
NET ASSETS - FULL ACCRUAL BASIS		$590,458

See accompanying notes to financial statements.

Exhibit 5

Buss & Company, P.C.
Certified Public Accountants
Clinton Township, Michigan

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For The Years Ended June 30, 2004 and 2003

	2004	2003
REVENUES:		
Property taxes	$275,099	$274,419
State aid	8,444	7,054
Single business tax	2,282	2,282
Penal fines	8,594	9,234
Interest	1,781	2,525
Donations	600	1,000
Centralized purchasing	5,399	5,609
Miscellaneous	7,088	6,159
Total Revenues	$309,287	$308,282
EXPENDITURES:		
Current:		
Salaries	$100,758	$126,066
Employee benefits and payroll taxes	21,958	31,233
Magazines and newspapers	4,098	4,332
Supplies	4,640	4,318
Automation	13,725	13,350
Database subscription	754	-
Cooperative services	4,222	3,527
Repairs and maintenance	6,450	3,573
Membership and dues	1,453	1,213
Telephone and utilities	7,289	6,668
Professional fees	7,920	4,825
Public relations	149	50
Programming	1,228	1,786
Insurance	5,310	4,663
Workshops and conferences	1,284	4,353
Miscellaneous	2,299	3,288
Capital outlay	24,763	40,266
Total Expenditures	$208,300	$253,511
EXCESS OF REVENUES OVER EXPENDITURES	$100,987	$ 54,771
FUND BALANCE - JULY 1	304,955	250,184
FUND BALANCE - JUNE 30	$405,942	$304,955

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Exhibit 6

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2004

NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS		$100,987
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, These costs are allocated over their estimated useful lives as depreciation expense.		
Depreciation expense	($ 24,527)	
Capital outlay - in excess of $2,000	18,858	
Total		(5,669)
CHANGE IN NET ASSETS - FULL ACCRUAL BASIS		$ 95,318

See accompanying notes to financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lenox Township 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 significant accounting policies:

A. GOVERNMENTAL REPORTING ENTITY

The Library is located in Lenox Township, Michigan and is governed by an independent six-member board. The Library was formed under P.A. 164 of 1877 and remains a fund of the Township. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board and include only the results of operations of the Library.

B. GOVERNMENT-WIDE AND FUND 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 - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program 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.

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 it is 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 interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports all of its activities in a single fund on the modified accrual basis.

(Continued)

C. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Investments - The Library has defined cash and cash equivalents to include cash on hand and demand deposits.

The Library is authorized by state statute to invest surplus funds in bonds or other direct obligations of the United States, certificates of deposits, certain commercial paper, U.S. Government repurchase agreements, bankers acceptances, mutual funds and investment pools that are invested in authorized investment vehicles.

Receivables and Payables - Property taxes receivable represent uncollected property taxes levied on December 1, 2003.

Lenox Township property tax is levied on each December 1st on the taxable value of property (as defined by state statutes) located in the Township. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2003 taxable valuation of the Township totals approximately $203 million, on which ad valorem taxes levied consisted of 1.3406 mills for Library operations, raising $272,061 for Library operating purposes. The amount uncollected at June 30, 2004 is recognized in the financial statements as taxes receivable with an offsetting credit to deferred revenue. Taxes receivable has been reduced for amounts received during the year.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than $2,000 and an estimated useful life in excess of one year. Due to the significance of the Library's annual acquisition of Library books and materials and the shelf life on most materials extended beyond one year, annual acquisitions of books and materials are treated as capitalized assets in order to spread their cost over their estimated useful life. Donated assets are reported at 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	40 years
Furniture and equipment	7 years
Improvements	15 years
Library books and materials	7 years

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. At June 30, 2004, there is no reservation or designation of fund balance.

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

(Continued)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with generally accepted accounting principles is formally adopted for the Library. The budget can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end.

The budget has been adopted on a line item basis; expenditures at this level in excess of budgeted amount are a violation of Michigan law. A comparison of actual results of operations to the budget can be found in the supplemental information.

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

At year end, the Library's carrying amount of deposits was $393,871 and the bank balance was $400,158. Of the bank balance, $200,000 was covered by Federal Depository Insurance and $200,158 was uninsured and uncollateralized.

B. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2004 follows:

	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
CAPITAL ASSETS BEING DEPRECIATED:				
Buildings and improvements	$137,152	$ -	$ -	$137,152
Furniture and equipment	17,610	-	-	17,610
Library books and material	129,426	18,858	-	148,284
	$284,188	$ 18,858	$ -	$303,046
Accumulated depreciation	(94,003)	(24,527)	-	(118,530)
Net Book Value	$190,185	($ 5,669)	$ -	$184,516

IV. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workers' compensation benefits provided to employees. The Library has purchased commercial insurance to cover potential claims.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

(Continued)

V. DEFERRED COMPENSATION PLAN

The Library has adopted a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries and may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Library's financial statements.

VI. LITIGATION

The Library is involved in various legal actions and claims arising in the normal course of operations. After taking into consideration legal counsel's evaluation of such actions, management is of the opinion that their outcome will not have a significant effect on the financial statements.

VII. ACCOUNTING CHANGE

Effective July 1, 2003, the Library implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. 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).

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Schedule No. 1

LENOX TOWNSHIP LIBRARY
New Haven, Michigan
BUDGETARY COMPARISON SCHEDULE
For The Year Ended June 30, 2004

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property taxes	$243,500	$243,500	$275,099	$ 31,599
State aid	5,901	5,901	8,444	2,543
Single business tax	2,281	2,281	2,282	1
Penal fines	8,000	8,000	8,594	594
Interest	1,511	1,511	1,781	270
Donations	-	-	600	600
Centralized purchasing	4,000	4,000	5,399	1,399
Miscellaneous	5,500	5,500	7,088	1,588
Total Revenues	$270,693	$270,693	$309,287	$ 38,594
EXPENDITURES:				
Salaries	$132,220	$124,698	$100,758	$ 23,940
Employee benefits and payroll taxes	33,774	33,199	21,958	11,241
Magazines and newspapers	7,000	7,000	4,098	2,902
Supplies	3,700	5,200	4,640	560
Automation	13,800	13,800	13,725	75
Database subscription	5,000	5,000	754	4,246
Cooperative services	2,950	4,222	4,222	-
Repairs and maintenance	3,600	6,600	6,450	150
Membership and dues	1,000	1,500	1,453	47
Telephone and utilities	8,300	8,300	7,289	1,011
Professional fees	8,200	10,200	7,920	2,280
Public relations	150	150	149	1
Programming	1,774	1,774	1,228	546
Insurance	5,925	5,925	5,310	615
Workshops and conferences	5,000	5,000	1,284	3,716
Miscellaneous	2,800	4,125	2,299	1,826
Capital outlay	35,500	34,000	24,763	9,237
Total Expenditures	$270,693	$270,693	$208,300	$ 62,393
EXCESS REVENUES OVER EXPENDITURES	$ -	$ -	$100,987	$100,987

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

Certified Public Accountants
42550 Garfield, Suite 105
Clinton Township, Michigan 48038

Telephone (586) 263-8200
Facsimile (586) 263-8329

Gerald H. Dryer, C.P.A.
Paul K. Burback, C.P.A.
John E. Gideon, C.P.A.
Thomas J. Thomas, C.P.A.

MEMBERS
The American Institute of Certified Public Accountants

The Michigan Association of Certified Public Accountants

September 23, 2004

Board of Trustees
Lenox Township Library
New Haven, Michigan

Re: Supplemental System and Internal Control Comments and Recommendations in conjunction with audit for the year ended June 30, 2004

Honorable Members:

In planning and performing our audit of the financial statements of Lenox Township Library for the year ended June 30, 2004, we considered its internal control structure 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 structure. The following items are presented that could affect Lenox Township Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Internal control comments are made encompassing the concept that the cost of any internal control system should not be greater than the benefits obtained. The accomplishment of recommendations that are of a legal compliance versus internal control nature are not covered by the same cost concept, but are governed solely by legal requirements.

The Library was formed under P.A. 164 of 1877. It remains a fund of Lenox Township even though the Library has an independent Board. The Library and the Township have properly adopted a system for the receipt and expenditure of Library funds through the Township Treasurer's Office.

BUDGETING

P.A. 621, The Uniform Budgeting and Accounting Act, requires all budget adjustments be made prior to the fiscal year end. The Library should review the budget throughout the year and make adjustments accordingly. All budget adjustments are required to be made prior to the end of the fiscal year.

CASH MANAGEMENT AND INVESTMENT POLICY

The Library continues to have bank balances in excess of the amounts covered by federal depository insurance. The Library may be assuming unnecessary risk by maintaining an account that is larger than the amount insured. The Library has mitigated this risk by using an additional bank to increase the amount of funds that are insured. The Library should consider using additional banks so that funds will be fully insured and safeguarded against loss. In addition, the Library has an investment policy in place outlining the investment program's objectives and delegated authority on the types of investments that may be made. Although, the Library has successfully activated the investment program, there is still a considerable amount of cash maintained in bank accounts. The Library should continue to monitor and optimize their investment activities pursuant to the investment policy.

LIBRARY DIRECTOR

Subsequent to year end, the Board hired a new Library Director. We suggest that the Board institute additional oversight procedures in addition to those utilized for previous Directors. Such oversight could include periodic review of circulation reports, employee and patron suggestions, and more detailed financial review. Such oversight will increase the Board's effectiveness in overseeing Library operations.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the administration of the Lenox Township Library. This restriction is not intended to limit distribution of this report which, upon acceptance by the Board of Trustees, is a matter of public record.

We appreciate the cooperation of the Library staff and trustees during our audit.

Respectfully submitted,

BUSS & COMPANY, P.C.

Buss & Company PC

Certified Public Accountants

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