MILLINGTON ARBELA DISTRICT LIBRARY
Tuscola County, Michigan

FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION

March 31, 2006

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	Millington Arbela District Library	Tuscola

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
March 31, 2006	June 28, 2006	June 30, 2006

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

	YES	NO	**Check each applicable box below**. (See instructions for further detail.)
1.	☒	☐	All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.	☒	☐	There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.	☒	☐	The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.	☒	☐	The local unit has adopted a budget for all required funds.
5.	☒	☐	A public hearing on the budget was held in accordance with State statute.
6.	☒	☐	The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.	☒	☐	The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.	☒	☐	The local unit only holds deposits/investments that comply with statutory requirements.
9.	☒	☐	The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan,* as revised (see Appendix H of Bulletin).
10.	☒	☐	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.	☒	☐	The local unit is free of repeated comments from previous years.
12.	☒	☐	The audit opinion is UNQUALIFIED.
13.	☒	☐	The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.	☒	☐	The board or council approves all invoices prior to payment as required by charter or statute.
15.	☒	☐	To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☐	No Comments
Other (Describe)	☐	None Required

Certified Public Accountant (Firm Name)	Telephone Number		
Quast, Janke & Co. , CPA's, PC	989-892-4549		
Street Address	**City**	**State**	**Zip**
1010 N Johnson	Bay City	MI	48708
Authorizing CPA Signature	**Printed Name**	**License Number**	
	Mark G Janke	A248794	

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Quast, Janke and Company, P.C.

Certified Public Accountants

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June 28, 2006

To the Library Board
of the Millington Arbela District Library
8530 Depot Street
Millington, MI 48746

We have audited the accompanying financial statements of the governmental activities of the major fund of the Millington Arbela District Library, Tuscola County, Michigan, as of and for the year ended March 31, 2006 and nine months ended March 31, 2005, which collectively comprise Millington Arbela District Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Millington Arbela District Library, Tuscola County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted out audit in accordance with auditing standards generally accepted n 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Millington Arbela District Library, Tuscola County, Michigan as of March 31, 2006 and 2005, and for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

The Millington Arbela District Library has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments, as of March 31, 2005. However, management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Millington Arbela District Library, Tuscola County, Michigan basic financial statements. The individual 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.

QUAST, JANKE AND COMPANY

Quast, Janke & Co.
Certified Public Accountants, P.C.

MILLINGTON ARBELA DISTRICT LIBRARY
Tuscola County, Michigan

STATEMENT OF NET ASSETS
March 31, 2006 and 2005

	Governmental Activities	
	March 31, 2006	March 31, 2005
ASSETS:		
Cash	$ 181,390.49	$ 157,473.26
Delinquent taxes receivable	16,924.67	17,585.62
Due from County	4,214.83	3,937.10
Capital assets	539,397.29	318,595.51
Accumulated depreciation	(417,517.51)	(291,097.80)
Total Assets	324,409.77	206,493.69
LIABILITIES:		
Accounts payable	5,653.52	9,036.06
NET ASSETS:		
Investment in capital assets net of related debt	121,879.78	27,497.71
Unrestricted	196,876.47	169,959.92
Total Net Assets	$ 318,756.25	$ 197,457.63

The accompanying notes are an integral part of the financial statements.

MILLINGTON ARBELA DISTRICT LIBRARY
Tuscola County, Michigan

STATEMENT OF ACTIVITIES
For the Year and Nine Months Ended March 31, 2006 and 2005

		Program Revenues		Governmental Activities	
				Net Revenue (Expenses) and Changes in Net Assets for the Period ended March 31,	
	Expenses	Charges for Services	Operating Grants/ Contributions	2006	2005
PRIMARY GOVERNMENT:					
Cultural and Recreation - Library	$ 156,003.19	$ 6,630.45	$ 790.00	$ (148,582.74)	$ (76,958.69)
GENERAL PURPOSE REVENUES:					
Property taxes				150,274.74	148,341.31
State shared revenues				3,340.28	3,348.19
Investment earnings				1,010.66	265.33
Fines				40,694.67	35,989.37
Other				235.18	159.74
Total General Purpose Revenues				195,555.53	188,103.94
Change in Net Assets				46,972.79	111,145.25
Equity transfer from Millington Township				74,325.83	86,312.38
Net Assets - Beginning				197,457.63	0.00
Net Assets - End of Year				$ 318,756.25	$ 197,457.63

The accompanying notes are an integral part of the financial statements.

MILLINGTON ARBELA DISTRICT LIBRARY
Tuscola County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET
March 31, 2006 and 2005

	March 31, 2006	March 31, 2005
ASSETS:		
Cash	$ 181,390.49	$ 157,473.26
Delinquent taxes receivable	16,924.67	17,585.62
Due from County	4,214.83	3,937.10
TOTAL ASSETS	$ 202,529.99	$ 178,995.98
LIABILITIES:		
Accounts payable	$ 5,653.52	$ 9,036.06
FUND BALANCE:		
Reserved	0.00	0.00
Unreserved	196,876.47	169,959.92
TOTAL FUND BALANCE	196,876.47	169,959.92
TOTAL LIABILITIES AND FUND BALANCE	$ 202,529.99	$ 178,995.98

The accompanying notes are an integral part of the financial statements.

MILLINGTON ARBELA DISTRICT LIBRARY
Tuscola County, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS
March 31, 2006

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	$	196,876.47
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:		
Capital assets at cost		539,397.29
Accumulated depreciation		(417,517.51)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	$	318,756.25

The accompanying notes are an intergral part of the financial statements.

MILLINGTON ARBELA DISTRICT LIBRARY
Tuscola County, Michigan

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year and Nine Months Ended March 31, 2006 and 2005

	Period ended March 31, 2006	Period ended March 31, 2005
REVENUES:		
Taxes	$ 150,274.74	$ 148,341.31
State Grants	3,340.28	3,348.19
Charges for Services	6,630.45	3,941.85
Fines and Forfeits	40,694.67	35,989.37
Interest and Rentals	1,010.66	265.33
Other Revenue	1,025.18	2,134.42
Total Revenues	202,975.98	194,020.47
EXPENDITURES:		
Cultural and Recreation - Library	176,059.43	76,654.91
NET CHANGE IN FUND BALANCE	26,916.55	117,365.56
FUND BALANCE - BEGINNING	169,959.92	0.00
Equity transfer from Millington Township Library	0.00	52,594.36
FUND BALANCE - END OF YEAR	$ 196,876.47	$ 169,959.92

The accompanying notes are an integral part of the financial statements.

MILLINGTON ARBELA DISTRICT LIBRARY
Tuscola County, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES,EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Year Ended March 31, 2006

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND	$	26,916.55
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 lives as depreciation:		
Depreciation expense		(14,911.85)
Capital outlay		34,968.09
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	46,972.79

The accompanying notes are an integral part of the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Millington Arbela District Library (Library)conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the Library.

Reporting Entity

The District Library was formed effective August 2, 2004 by agreement between the Township of Millington and the Township of Arbela. From August 2, 2004 until a permanent seven (7) member board is elected, the District Library will be governed by a seven (7) member board appointed by Millington Township (four members) and Arbela Township (three members).

The accompanying basic 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. Accordingly, there are no component units to be included in the Library's financial report.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability ir 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.

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

The Library reports the following major governmental fund:

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, of which there are none.

Assets, Liabilities and Net Assets or Equity

Deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Furniture and equipment	5 - 10 years
Library books, periodicals, and videos	5 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. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information - Annual budgets are prepared and adopted by the Library Board and subsequent amendments are approved by the Library Board. Unexpended appropriation lapse at year end; Encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91, authorizes library units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; banker's acceptances of United States banks; commercial paper rated within two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed on investment vehicles that are legal for direct investment by local units of government in Michigan.

NOTE 3 DEPOSITS AND INVESTMENTS (continued):

The Library has no investments.

The Library has designated Mayville State Bank for the deposit of Library Funds. The Library's deposits and investment policy are in accordance with statutory authority.

At period end, the Library's deposits were reported in the basic financial statements in the following categories:

	Balance Sheet Category Cash and Cash Equivalents
GASB No. 34 classifications	
Deposits	$ 181,390.49
Investments	0.00
Total	$ 181,390.49

The bank balance of the Library's deposits is $181,390.49 of which $100,000.00 is covered by federal depository insurance.

NOTE 4. CAPITAL ASSETS:

Capital asset activity of the governmental activities for the current period was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets being depreciated:				
Furniture and equipment	$ 84,383.90	$ 2,317.00	$ 946.95	$ 85,753.95
Land and improvements	0	13,689.17	0	13,689.17
Building and improvements	0	191,007.22	0	191,007.22
Library books, periodicals and videos	234,211.61	14,735.34	0.	248,946.95
Total Capital Assets	318,595.51	221,748.73	946.95	539,397.29
Less accumulated depreciation	291,097.80	126,419.91	0.	417,517.51
Net capital assets	$ 27,497.71	$ 95,329.02	$ 946.95	$ 121,879.78

Depreciation expense was $14,911.85 for the period ended March 31, 2006.

NOTE 5. RISK MANAGEMENT:

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for employee injury claims for claims relating to property loss, torts, and errors and omissions.

NOTE 6. TRANSFER OF ASSETS:

On August 2, 2004, all of the operating assets and liabilities of the Millington Township Library were transferred to the Millington Arbela District Library.

NOTE 7. PURCHASE OF BUILDING:

On June 27, 2005, the Library purchased, from the Township of Millington, the library building and land for the sum of $1.00.

REQUIRED SUPPLEMENTAL INFORMATION

MILLINGTON ARBELA DISTRICT LIBRARY
Tuscola County, Michigan

BUDGET COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2006

	Original Budget	Final Amended Budget	Actual
REVENUES:			
Taxes	$ 147,000.00	$ 147,000.00	$ 150,274.74
State Grants	6,500.00	6,500.00	3,340.28
Charges for Services	6,500.00	6,500.00	6,630.45
Fines & Forfiets	40,000.00	40,000.00	40,694.67
Interest and Rentals	800.00	800.00	1,010.66
Other Revenue	300.00	300.00	1,025.18
Total Revenues	201,100.00	201,100.00	202,975.98
EXPENDITURES:			
Cultural and Recreation - Library	201,100.00	201,100.00	0.00
NET CHANGE IN FUND BALANCE	0.00	0.00	202,975.98
FUND BALANCE - BEGINNING	169,959.92	169,959.92	52,594.36
FUND BALANCE - END OF YEAR	$ 169,959.92	$ 169,959.92	$ 255,570.34

OTHER SUPPLEMENTAL INFORMATION

MILLINGTON ARBELA DISTRICT LIBRARY
Tuscola County, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Tear and Nine Months ended March 31, 2006 and 2005

	Period Ended March 31,	
	2006	2005
REVENUES:		
Taxes -		
Current tax levy	$ 150,274.74	$ 148,341.31
State Grants -		
Library Aid	3,340.28	3,348.19
Charges for Services -		
Material sales	1,506.22	776.16
VHS/DVD fees	78.85	374.35
Late fees & lost books	2,658.58	1,511.42
Copier fees	2,386.80	1,279.92
Total Charges for Services	6,630.45	3,941.85
Fines and Forfeits -		
Penal fines	40,694.67	35,989.37
Interest and Rentals -		
Interest earned	1,010.66	265.33
Other Revenue -		
Gifts & memorials	790.00	1,974.68
Miscellaneous	235.18	159.74
Total Other Revenues	1,025.18	2,134.42
Total Revenues	202,975.98	194,020.47
EXPENDITURES	176,059.43	76,654.91
NET CHANGE IN FUND BALANCE	26,916.55	117,365.56
FUND BALANCE - Beginning	169,959.92	0.00
Equity transfer from Millington Township Library	0.00	52,594.36
FUND BALANCE - End of Year	$ 196,876.47	$ 169,959.92

MILLINGTON ARBELA DISTRICT LIBRARY
Tuscola County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES
For the Year and Nine Months ended March 31, 2006 and 2005

	Period Ended March 31,	
	2006	2005
EXPENDITURES:		
CULTURAL AND RECREATION:		
Library Operations -		
Salaries & wages	$ 78,868.26	$ 38,001.96
Payroll taxes	6,255.44	3,220.06
Fringe benefits	4,818.84	3,005.36
Books	14,735.34	3,915.41
Magazines	1,629.85	1,076.87
Video & Audio tapes	2,095.68	857.87
Material processing supplies	1,070.88	149.64
Insurance	3,735.00	3,066.00
Legal	3,945.93	1,586.36
Professional fees	1,900.00	0.00
Alarm system	274.95	180.00
Memberships	3,016.40	3,541.86
Telephone	1,029.94	238.11
Internet	1,515.02	872.47
Utilities	9,049.05	4,917.56
Cleaning service	5,400.00	3,400.00
Maintenance & repairs	29,616.10	6,562.64
Office	2,135.55	821.12
Postage	367.80	207.84
Workshops & mileage	440.48	173.00
Children's programs	1,523.54	0.00
Minor equipment	2,336.37	0.00
Other	299.01	860.78
TOTAL EXPENDITURES	$ 176,059.43	$ 76,654.91