FREEPORT DISTRICT LIBRARY

Financial Statements

Years Ended June 30, 2008 and 2007

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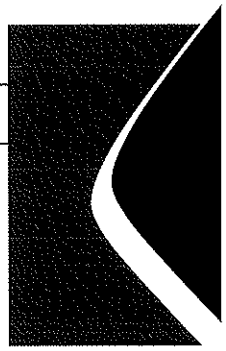

McKeown
Kraai and
Phillips, PLC
Certified Public
Accountants

September 16, 2008

The Board of Directors
Freeport District Library
Barry County, Michigan

We have audited the accompanying basic financial statements of Freeport District Library, as of June 30, 2008 and 2007 and for the years then ended, as listed in the table of contents. These basic financial statements are the responsibility of Freeport District Library management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Freeport District Library as of June 30, 2008 and 2007 and the changes in financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Freeport 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 presented in all material respects in relation to the basic financial statements taken as a whole.

The management 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 Freeport District Library. We did not examine this data, and accordingly, do not express an opinion thereon.

As discussed in the Notes, the Library adopted Governmental Accounting Standards Board Statement Number 34 during 2004. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

McKeown, Kraai & Phillips, PLC

McKeown, Kraai and Phillips, PLC
Certified Public Accountants

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MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the Freeport District Library, Freeport, Michigan, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal years ended June 30, 2008 and 2007. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Library. Please consider the information presented here in conjunction with the Library's financial statements.

The basic financial statements include information that presents two different views of the Library:

- The first column of the financial statements includes information on the Library's General Fund 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 adjustment items in the financial statements represent adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government wide financial statement columns 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 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

	2008	2007
Current assets	**$108,559**	$100,799
Capital assets	**10,906**	6,377
Total assets	**119,465**	107,176
Liabilities	-	-
Net assets		
Invested in capital assets, net of debt	**10,906**	6,377
Unrestricted	**108,559**	100,799
Total net assets	**$119,465**	$107,176
Revenue		
Property taxes	**$78,293**	$73,971
Other	**21,260**	25,560
Total revenue	**99,553**	99,531
Expenses - Library services	**87,264**	85,806
Change in net assets	**$12,289**	$13,725

The Library as a Whole

The Library's primary source of revenue is from property taxes, which represent 79 and 74 percent of total revenue in 2008 and 2007, respectively.

Salaries and fringes continue to be a significant expense of the Library, representing 59 and 51 percent of the Library's total expenses in 2008 and 2007, respectively.

The Library's Fund

Our analysis of the Library's major fund is included on pages 4 and 5 in the first column of the respective statements. The fund column provides detailed information about the most significant fund, not the Library as a whole. 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. The Library's major fund consists solely of the General Fund.

The fund balance of the General Fund increased during the current year by $12,289. The increase was due in part to receiving a higher than forecasted millage receipts and lower personnel costs.

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 most significant amendments occurred in equipment and material purchases and co-operative fees.

Capital Assets

At the end of the fiscal year, the Library had $24,793 invested in furniture and equipment. The budgeted amount of $5,600 was used in the current year.

Economic Factors and Next Year's Budgets and Rates

There are currently no plans on grant applications for the upcoming budget year. It is anticipated due to the renewal of the August 2006 millage that the current income will be sufficient to cover expenses without any other adjustments.

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 any questions about this report or need additional information, we welcome you to call the library director, Joanne Hesselink at (616) 765-5181 or email her at fre@llcoop.org.

FREEPORT DISTRICT LIBRARY
June 30, 2008 and 2007

	2008		2007	
	General Fund Modified Accrual Basis	**Statement of Net Assets**	General Fund Modified Accrual Basis	Statement of Net Assets
ASSETS				
Cash and cash equivalents	**$22,718**	**$22,718**	$17,493	$17,493
Investments	**84,195**	**84,195**	81,333	81,333
Receivables				
Taxes and aid	**1,646**	**1,646**	1,973	1,973
Adjustments for GASB #34:				
Capital assets	-	**10,906**	-	6,377
Total assets	**$108,559**	**$119,465**	$100,799	$107,176
LIABILITIES				
Accounts payable	**$ -**	**$ -**	$ -	$ -
Accrued liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	**$ -**	**$ -**	$ -	$ -
FUND BALANCE / NET ASSETS				
Fund balances				
Unreserved-undesignated	**$108,559**	**$108,559**	$100,799	$100,799
Designated	-	-	-	-
Total fund balance	**108,559**	**108,559**	100,799	100,799
Total liabilities and fund balance	**$108,559**	**$108,559**	$100,799	$100,799
Net assets				
Adjustments for GASB #34:				
Unrestricted	**$ -**	**$ -**	$ -	$ -
Capital assets	-	**10,906**	-	6,377
Total net assets	**$108,559**	**$119,465**	$100,799	$107,176

See accompanying auditors' report and notes to financial statements.

STATEMENTS OF GOVERNMENTAL REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - STATEMENTS OF ACTIVITIES

FREEPORT DISTRICT LIBRARY
June 30, 2008 and 2007

	2008		2007	
	General Fund Modified Accrual Basis	**Statement of Net Assets**	General Fund Modified Accrual Basis	Statement of Net Assets
Revenue				
Property tax	**$78,293**	**$78,293**	$73,971	$73,971
Penal fines	**8,984**	**8,984**	9,118	9,118
Private grant	**-**	**-**	400	400
State aid	**3,273**	**3,273**	3,962	3,962
Library fines and fees	**3,560**	**3,560**	3,951	3,951
Contributions and donations	**2,190**	**2,190**	5,693	5,693
Interest on investments	**3,253**	**3,253**	2,436	2,436
Total revenue	**99,553**	**99,553**	99,531	99,531
Expenditures				
Wages and fringes	**54,462**	**54,462**	51,106	51,106
Books and materials	**9,363**	**9,363**	11,765	11,765
Programs	**959**	**959**	968	968
Lakeland library fees	**11,171**	**11,171**	10,269	10,269
Supplies	**3,015**	**3,015**	3,800	3,800
Rent and insurance	**3,491**	**3,491**	3,389	3,389
Telephone	**570**	**570**	533	533
Workshops and mileage	**988**	**988**	1,051	1,051
Audit fees	**1,500**	**1,500**	1,500	1,500
Miscellaneous	**674**	**674**	490	490
Capital outlay	**5,600**	**-**	-	-
Depreciation	**-**	**891**	-	880
Loss on asset disposal	**-**	**180**	-	55
Total expenditures	**91,793**	**87,264**	84,871	85,806
Excess of revenue over (under) expenditures/ change in net assets	**7,760**	**12,289**	14,660	13,725
Fund balance - beginning of year	**100,799**	**107,176**	86,139	93,451
Fund balance - end of year	**$108,559**	**$119,465**	$100,799	$107,176

See accompanying auditors' report and notes to financial statements.

FREEPORT DISTRICT LIBRARY
June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Reporting Entity

The Library is located in the Village of Freeport, Michigan and is governed by an appointed six-member board. The Library is primarily funded through a tax levy, state aid and grants, fines and fees, and charitable contributions. Revenue is used to operate and staff the Library. 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. 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

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).

FREEPORT DISTRICT LIBRARY
June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial 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 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 expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (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.

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 is it collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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.

FREEPORT DISTRICT LIBRARY
June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - 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. Investments are stated at fair value.

Receivables - Taxes - The Library's property taxes are levied and become a lien on each December 1 based on the taxable valuation of property located in the Library's service area as of the preceding December 31. These taxes are collected by the Townships and are due on February 28. After that date, they are added to the county delinquent tax rolls.

The 2007 and 2006 State taxable valuation of the Library totaled $156,837,721 and $146,263,186, respectively, on which ad valorem taxes levied consisted of .4949 and .5 mills for Library operating purposes, raising $77,619 and $73,971, respectively. This amount is recognized in the financial statements as property tax revenue.

The delinquent real property taxes of the Library are purchased by Barry County. The County intends to sell tax notes, the proceeds of which will be used to pay the Library for these property taxes.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more that $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. 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 by the straight-line basis over the following useful lives:

Leasehold Improvements	15 years
Furniture	10 years
Equipment	7 years
Computer Equipment	3 years

Fund Balance - 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.

FREEPORT DISTRICT LIBRARY
June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets, Budgetary Accounting and Budget Basis of Accounting

Budgets are adopted for all governmental fund types, as required by law. Budgets for the general fund are adopted at the line item level and reported in the budgetary comparison schedule at this level. The Library uses the same basis of accounting for budgeting purposes as for financial statement presentation.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Freeport District Library.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

FREEPORT DISTRICT LIBRARY
June 30, 2008

NOTE B - BALANCE SHEET - CASH AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Library to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Library has designated one bank for the deposit of Freeport District Library funds. The Freeport District Library has adopted an investment policy in accordance with Public Act 196 of 1997 authorizing investments in bonds and securities of the United States government, bank accounts and certificates of deposit, and commercial paper rated at the highest classification.

The Library's deposits and investments are in accordance with statutory authority.

At year-end, the Freeport District Library's deposits and investments were reported in the basic financial statements as follows:

	2008		2007	
Deposit	**Carrying Amount**	**Bank Balance**	Carrying Amount	Bank Balance
Insured (FDIC)	**$100,000**	**$100,000**	$98,824	$100,000
Uninsured	**6,913**	**17,062**	-	8,463
Total deposits	**$106,913**	**$117,062**	$98,824	$108,463
Cash and cash equivalents	**$22,718**	**$32,867**	$17,493	$27,132
Investments in certificated of deposit with a maturity greater than three months	**84,195**	**84,195**	81,331	81,331
Total deposits	**$106,913**	**$117,062**	$98,824	$108,463

FREEPORT DISTRICT LIBRARY
June 30, 2008

NOTE C - CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	Balance 6/30/07	Additions	Retirements	**Balance 6/30/08**
Capital assets being depreciated				
Furniture and fixtures	$15,853	$4,245	$ -	**$20,098**
Equipment	5,140	1,355	1,800	**4,695**
Total capital assets	20,993	5,600	1,800	**24,793**
Less accumulated depreciation	14,616	891	1,620	**13,887**
Net capital assets	$6,377			**$10,906**

Depreciation expense was charged to programs as follows:

	2008	2007
Governmental activities		
Recreational and cultural	**$891**	$880
Total governmental activities	**$891**	$880

NOTE D - RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance for property and equipment damage and theft.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There is no reduction in coverages obtained through commercial insurance during the past year.

FREEPORT DISTRICT LIBRARY
June 30, 2008

NOTE E - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balances of the Library's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net assets:

	2008	2007
Total fund balance - modified accrual basis	**$108,559**	$100,799
Amounts reported in the statement of net assets are different because:		
Capital assets are not financial resources, and are not reported in the funds	**10,906**	6,377
Net assets of general fund - full accrual basis	**$119,465**	$107,176

The following is a reconciliation of the net change in fund balance to the net change in net assets:

Net change in fund balances - modified accrual basis	**$7,760**	$14,660
Amounts reported in the statement of net activities are different because:		
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		
Depreciation	**(891)**	(880)
Capital outlays	**5,600**	-
Loss on disposal of assets	**(180)**	(55)
Change in net assets of general fund - full accrual basis	**$12,289**	$13,725

SUPPLEMENTARY

INFORMATION

FREEPORT DISTRICT LIBRARY
June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property tax	$74,000	$74,000	$78,293	$4,293
Penal fines	9,500	9,500	8,984	(516)
State aid	2,200	2,200	3,273	1,073
Library fines and fees	3,600	3,600	3,560	(40)
Contributions and donations	1,000	1,000	2,190	1,190
Interest on investments	2,500	2,500	3,253	753
Total Revenue	92,800	92,800	99,553	6,753
Expenditures				
Wages and fringes	57,200	57,200	54,462	2,738
Books and materials	12,250	10,250	9,363	887
Programs	1,000	1,000	959	41
Lakeland Library fees	12,100	11,462	11,171	291
Supplies	3,000	3,150	3,015	135
Rent and insurance	4,000	4,000	3,491	509
Telephone	650	650	570	80
Workshops and mileage	1,000	1,000	988	12
Audit fees	1,500	1,500	1,500	-
Miscellaneous	600	700	674	26
Capital outlay	3,000	6,850	5,600	1,250
Total Expenditures	96,300	97,762	91,793	5,969
Excess of revenue over expenditures	(3,500)	(4,962)	7,760	12,722
Fund balance - beginning of year	100,799	100,799	100,799	-
Fund balance - end of year	$97,299	$95,837	$108,559	$12,722

FREEPORT DISTRICT LIBRARY
June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property tax	$73,000	$73,000	$73,971	$971
Penal fines	9,000	9,000	9,118	118
State aid	3,600	3,600	3,962	362
Private grant	-	400	400	-
Library fines and fees	3,200	3,200	3,951	751
Contributions and donations	1,600	1,600	5,693	4,093
Interest on investments	1,200	1,200	2,436	1,236
Total Revenue	91,600	92,000	99,531	7,531
Expenditures				
Wages and fringes	54,500	54,500	51,106	3,394
Books and materials	12,000	12,100	11,765	335
Programs	1,000	1,000	968	32
Lakeland Library fees	10,100	10,400	10,269	131
Supplies	2,800	3,800	3,800	-
Rent and insurance	3,500	3,500	3,389	111
Telephone	600	600	533	67
Workshops and mileage	1,100	1,100	1,051	49
Audit fees	1,500	1,500	1,500	-
Miscellaneous	500	500	490	10
Capital outlay	4,000	3,000	-	3,000
Total Expenditures	91,600	92,000	84,871	7,129
Excess of revenue over expenditures	-		14,660	14,660
Fund balance - beginning of year	86,139	86,139	86,139	-
Fund balance - end of year	$86,139	$86,139	$100,799	$14,660