

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 <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Darcy Library of Beulah	County Benzie
Fiscal Year End June 30, 2007	Opinion Date November 12, 2007	Date Audit Report Submitted to State November 26, 2007	

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 | <input checked="" type="checkbox"/> <input type="checkbox"/> | 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	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) J L Stephan Co, PC		Telephone Number 231-941-7600	
Street Address 862 E. Eighth St.		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 	Printed Name Jerry L. Stephan	License Number 1101010359	

FINANCIAL STATEMENTS

Year-ended June 30, 2007

DARCY LIBRARY OF BEULAH

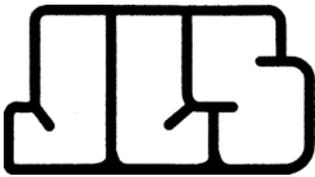
Benzie County, Michigan

Dated: November 12, 2007

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	2-5
Basic Financial Statements-	
Governmental Fund Balance Sheet/Statement of Net Assets	6
Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balance/Statement of Activities	7
Notes to Financial Statements	8-12
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule — General Fund	13

FINANCIAL SECTION



J L Stephan Co PC
Certified Public Accountants

Jerry L. Stephan, CPA

Marty K. Szasz-Busby, CPA
David Skibowski, Jr., CPA
Christopher H. Cornell, CPA

INDEPENDENT AUDITOR'S REPORT

Darcy Library of Beulah
PO Box 469
Beulah, MI 49617

We have audited the accompanying financial statements of the governmental activities of Darcy Library of Beulah as of and for the year ended June 30, 2007 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide 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 financial position of the governmental activities of the Library as of June 30, 2007 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

The management's discussion and analysis, and budgetary comparison information on pages 2-5, and page 13 respectively 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.

J. L. Stephan Co. P.C.

November 12, 2007

DARCY LIBRARY OF BEULAH
Management's Discussion and Analysis
For Year-ended June 30, 2007

The Library as a Whole

- The Library meets the GASB 34 standards, which includes capitalization of Library owned assets and associated depreciation expense, which is reflected in the Statement of Activities on page 7 of this financial report.
- The Library reports net assets of \$377,958 this year on a full accrual basis, as compared to fund balances of \$8,555 on the modified accrual basis of accounting.
- In May 2007, the Library moved into its new library building. The building was built on land leased for 99 years at \$1.00 per year from the Village of Beulah. The Library paid \$140,570 in capital outlays toward the building construction costs. The Friends of The Beulah Library, an affiliated tax-exempt organization, contributed capital assets in the form of building and related furniture and equipment costs aggregating \$240,519. The combined capital outlays totaled \$381,089 in 2007 compared to \$0- in 2006.
- During the year, the name was changed from the Beulah Public Library to Darcy Library of Beulah in response to a naming contribution toward the construction of the new library building.
- The Library's primary sources of revenue, excluding capital asset grants, are from county penal fines and village property taxes. For 2007, the totals were \$20,991 and \$23,413 representing approximately 38% and 43% respectively of total revenue. (\$24,619 and \$18,068 and 46% and 40% respectively in 2006.)
- Salaries and payroll taxes are the largest overall expenditure of the Library excluding capital outlays. For 2007, this expenditure was \$24,554, representing 47% of the Library's total expenditures. (\$25,997 representing 58% in 2006.)
- Library materials at \$11,889 are the second largest overall expenditure of the Library, excluding capital outlays, representing 23% of the Library's total expenditures. (\$11,607 representing 26% in 2006.)
- Total expenditures, excluding capital outlays of \$381,089, for the entire year under the modified accrual method of accounting were \$51,764 (\$44,661 in 2006).

DARCY LIBRARY OF BEULAH
Management's Discussion and Analysis
For Year-ended June 30, 2007

Using This Annual Report

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and Supplementary Information. 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 column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- The third column presents the Library's operations on a full accrual basis which provides both long 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 on a longer-term view of the Library's finances.

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.

DARCY LIBRARY OF BEULAH
Management's Discussion and Analysis
For Year-ended June 30, 2007

Condensed Financial Information

The following table below shows key financial information in a condensed format:

	<u>2007</u>	<u>2006</u>
Current assets	\$ 15,365	\$148,019
Capital assets	<u>377,958</u>	<u>-0-</u>
Total assets	\$393,323	\$148,019
Current liabilities	\$6,810	\$3,896
Non-current liabilities	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>\$6,810</u>	<u>\$3,896</u>
Net assets:		
Invested in capital assets, net of debt	\$377,958	\$ -0-
Restricted for donor restricted purpose	-0-	50,052
Unrestricted	<u>8,555</u>	<u>94,071</u>
Total net assets	<u>\$386,513</u>	<u>\$144,123</u>
Revenue:		
Property taxes and penal fines	\$44,403	\$42,687
Contributions of capital assets and restricted grants	240,519	50,000
Other	<u>12,363</u>	<u>10,334</u>
Total revenue	297,285	103,021
Expenses:		
Library services	51,764	47,727
Capital outlays	<u>381,089</u>	<u>-0-</u>
Total expenditures	<u>432,853</u>	<u>47,727</u>
Change in net assets	<u>\$(135,568)</u>	<u>\$58,294</u>

DARCY LIBRARY OF BEULAH
Management's Discussion and Analysis
For Year-ended June 30, 2007

The Library's Fund

Our analysis of the Library's General Fund is included on pages 6 and 7 in the first column of the respective statements. The fund column provides detailed information about the General Fund on a modified accrual basis of accounting, which is a short term perspective measuring the flow of financial resources, not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources.

The Library's only fund is the General Fund. The General Fund balance decreased by \$135,568 for the year. This represents expenditures greater than revenue.

Library Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to the start on July 1st. The Board must approve any amendments made to the operating budget prior to the close of the year. The Board budgets on a line item basis and approves the projected revenue and expenditure budget totals. Over the course of the year, the Library Board amended the budget totals and reallocated significant line items as appropriate to take into account events that occurred during the year.

The revenue budget was revised upward for the year to reflect an increase in interest income due to investment of restricted grant funds. The contribution of capital assets by The Friends of The Beulah Library (an affiliated charitable non-profit organization) and related offsetting capital outlays were not budgeted since the amount could not be estimated until the building was completed and the gift made.

The total expenditure budget was increased due to an error in the omission of payroll taxes from the initial budget. Accounting costs increased due to additional audit expenses. Insurance expense increased due to the insurance on the new library building completed during the fiscal year.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$377,958 invested in building, carpet, furniture and equipment.

The Library carries no long-term debt.

DARCY LIBRARY OF BEULAH

Governmental Funds Balance Sheet/Statement of Net Assets
Modified Cash Basis
June 30, 2007

	General Fund Modified Cash Basis	Adjustments	Statement of Net Assets
Assets			
Current assets			
Cash in bank	\$ 13,215	\$ -	\$ 13,215
Certificates of deposit	-		-
Cash on hand	150		150
Due from townships	2,000		2,000
Due from state	-		-
	15,365	-	15,365
Non-current assets			
Capital assets	-	381,089	381,089
Less accumulated depreciation	-	(3,131)	(3,131)
	-	377,958	377,958
TOTAL ASSETS	\$ 15,365	\$ 377,958	\$ 393,323
LIABILITIES			
Current liabilities			
Accounts payable	\$ 4,415	\$ -	\$ 4,415
Accrued wages and amounts due to employees	2,050		2,050
Accrued withholding and payroll taxes	345		345
Total Liabilities	6,810	-	6,810
FUND BALANCE/NET ASSETS			
Fund Balance			
Undesignated	8,555		
Designated for building	-		
Reserved-GTB Grant	-		
Total fund balance	8,555		
Total liabilities and fund balance	\$ 15,365		
Net assets			
Invested in Capital Assets - net of related debt		\$ 377,958	\$ 377,958
Unrestricted		-	8,555
Restricted		-	-
TOTAL NET ASSETS		\$ 377,958	\$ 386,513

See Accompanying Notes to Financial Statements

DARCY LIBRARY OF BEULAH

Statement of Governmental Fund Revenue, Expenditures,
and Changes in Fund Balances/Statement of Activities
For Year Ended June 30, 2007

	General Fund		Statement of
	Modified	Adjustments	Activities
	Cash Basis		
REVENUES			
Property taxes	\$ 23,413	\$ -	\$ 23,413
State aid	1,581		1,581
Local units-			
County penal fines	20,991		20,991
Townships	4,000		4,000
Book fines and sales	1,035		1,035
Interest earned	3,627		3,627
Capital grants and gifts	2,120		2,120
Contributions of capital assets	240,519		240,519
Miscellaneous	-		-
Total revenue	297,285	-	297,285
EXPENDITURES			
Wages and payroll taxes	24,554	-	24,554
Supplies	1,641		1,641
Books, magazines and videos	11,889		11,889
Computer services	1,984		1,984
Accounting	2,750		2,750
Legal fees	1,650		1,650
Dues	160		160
Education	-		-
Telephone and internet	1,454		1,454
Insurance	3,681		3,681
Postage	89		89
Utilities	1,313		1,313
Cleaning services	484		484
Capital outlays	381,089	(381,089)	-
Depreciation	-	3,131	3,131
Miscellaneous	115		115
Total expenditures	432,853	(377,958)	54,895
Excess revenues over (under) expenditures	(135,567)	377,958	242,391
Fund balance - Beginning of year	144,123		144,123
FUND BALANCE - END OF YEAR	\$ 8,556	\$ 377,958	\$ 386,514

See Accompanying Notes to Financial Statements

DARCY LIBRARY OF BEULAH
Notes to Financial Statements
June 30, 2007

NOTE 1- Summary of Significant Accounting Policies

The financial statements of Darcy Library of Beulah have been prepared in conformity with the modified cash basis of accounting as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

A. Reporting Entity

Darcy Library of Beulah is a public library located in the Village of Beulah. Library operations are conducted in a building owned by the library. During the year, the library name was changed from the Beulah Public Library in response to a naming contribution toward the construction of the new library building.

The State Library has determined that the Darcy Library of Beulah serves 33 1/3% of Benzonia Township, 50% of Homestead Township and 100% of Lake Township. A volunteer board, whose members are elected to three-year terms by the Library Board, governs the library.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability.

The library operates as an autonomous agency completely separate from the Village of Beulah. On this basis accordingly, the financial statements of the Library have not been included in the financial statements of any other organizations.

B. Base Financial Statements —Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) 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. Expenses are those that are clearly identifiable with a specific function or segment. Revenues include: (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.

Separate financial statements are provided for governmental funds.

ARCY LIBRARY OF BEULAH
Notes to Financial Statements
June 30, 2007

NOTE 1- Summary of Significant Accounting Policies - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The governmental financial statements are reported using the economic resources measurement focus is the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when an item is when liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental-wide financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recorded 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 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The local unit reports the flowing major governmental fund:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from penal fines, state distributions and from other local governmental units.

Amounts reported as program revenue include: (1) charges to patrons or applicants for goods, services or privilege provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than program revenue. Likewise, general revenue includes all taxes.

D. Assets. Liabilities and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits and certificates of deposits.

Capital/Fixed Assets – Capital assets represent the fixed assets of the local unit utilized in its general operations (non-propriety fixed assets). Fixed assets are recorded at historical cost. Donated fixed assets are required to be valued at the fair market value as of the date received. The Library's policy is to capitalize individual items over \$1,000. The costs of books, periodicals and other library materials are not capitalized.

DARCY LIBRARY OF BEULAH
Notes to Financial Statements
June 30, 2007

NOTE 1- Summary of Significant Accounting Policies - Continued

In accordance with GASB 34, depreciation has been provided on the fixed assets using the straight-line method over the following estimated useful lives:

	Assets Years
Buildings	40
Carpet	7
Furniture and equipment	5
Computers	5

Fund Equity – In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appreciation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - Stewardship, Compliance and Accountability

A. Budgets

The General Fund is under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the library. In the body of the combined financial statements, the library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line-item basis. The budget resolution of the library specifies the level adopted and has been revised as may be appropriate.

B. Budget Compliance

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall adopt an annual budget and not incur expenditures in excess of the amount appropriated. The library was in compliance for the fiscal year ended June 30, 2007.

C. Investment Policy

PA. Act 196 of 1997 requires local units to adopt an investment policy and provide a copy of this policy to all financial institutions used by the unit. The Library Board has adopted an investment policy to meet state requirements.

D. Chart of Accounts

The Library has implemented a chart of accounts for its accounting system in conformance with the Michigan Uniform Chart of Accounts in accordance with PA 2 of 1968

DARCY LIBRARY OF BEULAH
Notes to Financial Statements
June 30, 2007

NOTE 3 - Deposits with Financial Institutions

A. Legal or Contractual Provisions for Deposits and Investments

This law authorizes the library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The local unit is allowed to invest in 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 obligations, repurchase agreements, bankers' acceptance of the United State banks, commercial paper rated within 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 as investment grade and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Library has designated one bank as depository of its funds. The bank deposits appear to be in compliance as outlined above.

B. Types of Deposits and Investments

At year-end, the Library's cash deposits and cash equivalents were reported in the basic financial statements in the following categories:

	Governmental <u>Activities</u>
Cash and Equivalents	\$13,215
Investments	-
Restricted Assets	<u>-</u>
Total Deposits	<u>\$13,215</u>

The breakdown between deposits and investments is as follows:

	Governmental <u>Activities</u>
Time & Demand Deposits	\$13,215
Investments	-
Cash on Hand	<u>150</u>
Total	<u>\$13,365</u>

The bank balance of the primary government's deposits is \$13,215 of which all is covered by federal depository insurance.

DARCY LIBRARY OF BEULAH
Notes to Financial Statements
June 30, 2007

NOTE 4- Changes in Capital Assets

In May 2007, the Library moved into its new library building. The building was built on land leased for 99 years from the Village of Beulah. The total lease amount of \$99 was paid in the current year. The Library paid \$140,570 toward the building construction costs of which \$133,976 was from funds designated and restricted for that purpose. The Friends of The Beulah Library, an affiliated tax-exempt organization (IRS 501 (c) 3), contributed capital assets in the form of building and related costs aggregating \$240,519.

Capital asset activity of the primary government for the current year is summarized as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Building	\$ -0-	\$331,033	\$ -0-	\$331,033
Carpet	-0-	11,237	-0-	11,237
Furniture	21,372	35,608	(21,372)	35,608
Computers	-0-	3,211	-0-	3,211
	<u>21,372</u>	<u>381,089</u>	<u>(21,372)</u>	<u>381,089</u>
Accumulated depreciation	(21,372)	(3,131)	(21,372)	(3,131)
Total net assets	<u>\$ -0-</u>	<u>\$377,958</u>	<u>\$ -0-</u>	<u>\$377,958</u>

NOTE 5 - Risk Management

The Library pays an annual premium to Municipal Underwriters of Michigan for property damage and liability coverage. The Library also carries worker's compensation insurance through Michigan Millers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6— Commitments & Subsequent Events

At year-end, the Library had no commitments of a significant nature related to its operation.

REQUIRED SUPPLEMENTARY INFORMATION

Year-ended June 30, 2007

Dated: November 12, 2007

Darcy Library of Beulah

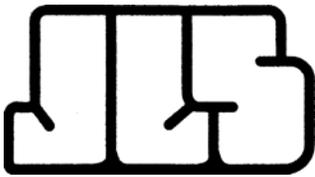
Budgetary Comparison

General Fund

June 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 21,000	\$ 21,000	\$ 23,413	\$ 2,413
State aid	770	770	1,581	811
Local units-				
County penal fines	20,990	20,990	20,991	1
Townships	4,000	4,000	4,000	-
Book fines and sales	1,100	1,100	1,035	(65)
Interest earned	500	500	3,627	3,127
Grants and gifts	345	345	2,120	1,775
Contributions of capital assets	-	376,292	240,519	(135,773)
Miscellaneous	-	-	-	-
Total revenues	48,705	424,997	297,285	(127,712)
Expenditures				
Wages and payroll taxes	20,600	24,600	24,554	46
Supplies	1,494	1,644	1,641	3
Books, magazines and videos	12,000	12,100	11,889	210
Computer services	2,400	2,000	1,984	16
Accounting	1,400	2,750	2,750	-
Legal fees	2,000	1,700	1,650	50
Dues	385	185	160	25
Telephone and internet	1,100	1,500	1,454	46
Insurance	1,384	3,684	3,681	3
Postage and box rental	350	100	89	12
Utilities	5,500	1,500	1,313	187
Cleaning services	-	500	484	16
Capital outlays	-	516,862	381,089	135,773
Miscellaneous	92	142	115	27
Total expenditures	48,705	569,267	432,853	136,414
Excess revenues over (under) expenditures	-	(144,270)	(135,568)	8,702
Beginning fund balance	144,123	144,123	144,123	-
Ending fund balance	\$ 144,123	\$ (147)	\$ 8,555	\$ 8,702

See Accompanying Notes to Financial Statements



J L Stephan Co PC

Certified Public Accountants

Jerry L. Stephan, CPA

Marty K. Szasz-Busby, CPA
David Skibowski, Jr., CPA
Christopher H. Cornell, CPA

November 12, 2007

To the Board of Directors
Darcy Library of Beulah
PO Box 469
Beulah, MI 49617

Dear Board,

In planning and performing our audit of the financial statements of the governmental activities of the Darcy Library of Beulah as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Darcy Library of Beulah's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

We recognize the Library operates with limited personnel. This limitation may lead directly to a lack of proper segregation of duties and, in many cases, a lack of expertise in financial accounting and reporting regardless of accounting and operational policies.

However, we believe reasonable compensating controls have been implemented by the Library to reduce these potential significant deficiencies to an inconsequential matter and the risk of material misstatement of the financial statement is assessed at a low level.

We also noted other matters we do not consider significant deficiencies that we wish to bring to your attention.

Budgeting Procedures

Based on review of meeting minutes and other documentation, we noted improvement in budgeting procedures. We commend the Board and others for their diligence and continue to recommend implementation of the State's budgeting guidelines.

Investment Policy

We noted the Library Board has adopted an investment policy.

Chart of Accounts

We noted the accounting system is now set up with account numbers. State regulations require the adoption of its uniform chart of accounts which is a 9 digit mask. Because the Library is a special purpose governmental entity with a single fund accounting system, Library officials deleted the activity portion of the mask. Although this is technically not in conformity with the State's uniform chart of accounts, we believe this is an inconsequential matter. The fund and line item portions of the Library's account numbers appear to be in conformity with the State's UFCA.

Invoice/Payment Documentation

We continue to note a few instances of vendor payments based on vendor statements or missing invoice documentation. Vendor payments should not be made without proper approval and documentation such as original invoices. We recommend attaching original invoices to check stubs for all vendor payments.

Closing Comments

We are happy to discuss any of these recommendations and assist in their implementation. This report is intended solely for the information and use of Darcy Library or Beulah, and others within the organization. We further appreciate the courtesy extended our field auditors in the conduct of this audit engagement. Should any questions arise regarding these statements or the conduct of our audit, please call us at your convenience.

Sincerely,

J. L. Stephen Co. P.C.

