

DOWAGIAC DISTRICT LIBRARY

DOWAGIAC, MICHIGAN

FINANCIAL STATEMENTS

Year ended September 30, 2007

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 Dowagiac District Library	County Cass
Fiscal Year End September 30, 2007	Opinion Date November 3, 2007	Date Audit Report Submitted to State February 19, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

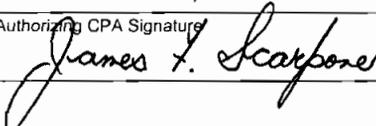
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	Verbal in meeting with Board		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Scarpone & Co., P.C.		Telephone Number 269-684-5100		
Street Address 20 N. Second St., P.O. Box 1146		City Niles	State Mi	Zip 49120
Authorizing CPA Signature 		Printed Name James F. Scarpone		License Number 11507

DOWAGIAC DISTRICT LIBRARY
DOWAGIAC, MICHIGAN

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DOWAGIAC DISTRICT LIBRARY
DOWAGIAC, MICHIGAN

DISTRICT LIBRARY BOARD

Ann Greene	-	Chairman
Jackie Goodman	-	Vice-Chairman
Judy Lawrence	-	Secretary
Jackie Baker	-	Treasurer
Judy Fusko	-	Member
Ron Jones	-	Member
Beverly Nemeth	-	Member



SCARPONE & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

November 3, 2007

**Members of the Library Board
Dowagiac District Library
Dowagiac, Michigan**

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of Dowagiac District Library as of and for the year ended September 30, 2007, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the management of Dowagiac District Library. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Dowagiac District Library as of September 30, 2007, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Scarpone & Co., P.C.

DOWAGIAC DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2007

The Library is reporting financial statements that meet the requirements of Governmental Accounting Standards Board Statement 34 (GASB No. 34). The two primary elements involved in meeting these requirements is the addition of a Management's Discussion and Analysis (MD&A) and the reporting of all capital assets and depreciation of such assets.

Library materials and other fixed assets acquired in years prior to October 1, 2004, such as furniture, equipment and computers, were determined to have exceeded their estimated useful lives and therefore fully depreciated. Such assets are not reflected in the statement of net assets.

Condensed Financial Information

The table below compares certain financial information in a condensed format for the years ended September 30, 2007 and 2006, respectively:

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 256,970	\$ 227,785
Capital assets	193,170	93,052
Total assets	450,140	320,837
Current liabilities	3,826	7,275
Net assets:		
Invested in capital assets	193,170	93,052
Restricted	61,597	67,782
Unrestricted	191,547	152,728
Total net assets	\$ 446,314	\$ 313,562
Revenues:		
Property taxes	\$ 301,741	\$ 286,002
Penal fines	54,839	63,068
State-shared revenues	11,269	10,298
Charges for services	12,336	12,369
Other	27,629	15,133
Total revenues	407,814	386,870
Expenditures	275,062	264,819
Change in net assets	\$ 132,752	\$ 122,051

DOWAGIAC DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONCLUDED

September 30, 2007

Overall Financial Position

The Library's primary source of revenue is from property taxes and penal fines. For the year ended September 30, 2007, total property tax collections were \$301,741 and total penal fine revenues totaled \$54,839, which represented 74% and 13% of total revenues, respectively.

Employee compensation, including related payroll taxes and fringe benefits are the largest overall expenditures of the Library. For the year ended September 30, 2007, these expenditures totaled \$162,768, which represented 43% of the Library's total expenditures.

Expenditures for budgeted capital outlay were the second largest overall expenditures of the Library, totaling \$117,175 for the year, which represented approximately 31% of the Library's total expenditures. Such expenditures are summarized as follows:

Children's library remodeling project	\$ 90,469
Heating/air conditioning	10,300
Computers	1,886
Wireless project	7,366
Equipment	2,344
Other capital outlay (under capitalization threshold)	4,810
Total	\$ 117,175

Library materials, which consist of additions to the Library's books, audio, video and periodical collections, were the third largest overall expenditures of the Library. These expenditures totaled \$36,513, and represented approximately 10% of the Library's total expenditures.

LIBRARY BUDGET HIGHLIGHTS

During the course of the fiscal year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurring were changes in the budgeted amounts for employee compensation and fringe benefits.

DOWAGIAC DISTRICT LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET
AND
STATEMENT OF NET ASSETS

September 30, 2007

<u>ASSETS</u>	<u>Operating</u> <u>Fund</u>	<u>Capital</u> <u>Fund</u>	<u>Total</u>	<u>Adjustments</u> <u>(Note G)</u>	<u>Statement of</u> <u>Net Assets</u>
Cash and cash equivalents	\$ 195,373	\$ 61,597	\$ 256,970	\$ -	\$ 256,970
Capital assets, net of accumulated depreciation	-	-	-	193,170	193,170
TOTAL ASSETS	\$ 195,373	\$ 61,597	\$ 256,970	\$ 193,170	\$ 450,140
<u>LIABILITIES</u>					
Accounts payable	\$ 1,352	\$ -	\$ 1,352	\$ -	\$ 1,352
Deferred revenue	2,474	-	2,474	-	2,474
TOTAL LIABILITIES	3,826	-	3,826	-	3,826
<u>FUND BALANCES/NET ASSETS</u>					
Restricted for capital outlay	-	61,597	61,597	(61,597)	-
Unrestricted	191,547	-	191,547	(191,547)	-
TOTAL LIABILITIES AND FUND BALANCES	191,547	61,597	253,144	(253,144)	-
\$ 195,373	\$ 61,597	\$ 256,970			
Net Assets					
Invested in capital assets					193,170
Restricted for capital outlay					61,597
Unrestricted					191,547
TOTAL NET ASSETS					\$ 446,314

See accompanying notes to basic financial statements.

DOWAGIAC DISTRICT LIBRARY

**GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES**

For the year ended September 30, 2007

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note G)</u>	<u>Statement of Activities</u>
REVENUES:					
Local taxes	\$ 301,741	\$ -	\$ 301,741	\$ -	\$ 301,741
Penal fines	54,839	-	54,839	-	54,839
State-shared revenues	11,269	-	11,269	-	11,269
Charges for services	12,336	-	12,336	-	12,336
Ladies Library Association contribution	5,223	-	5,223	-	5,223
Other contributions and gifts	4,246	-	4,246	-	4,246
Grant revenue	5,300	-	5,300	-	5,300
Interest and dividends	3,259	5,690	8,949	-	8,949
Contracted services	2,926	-	2,926	-	2,926
Miscellaneous revenue	985	-	985	-	985
Total Revenues	402,124	5,690	407,814	-	407,814
EXPENDITURES:					
Salaries and wages	134,192	-	134,192	-	134,192
Payroll taxes	10,266	-	10,266	-	10,266
Health and dental	14,397	-	14,397	-	14,397
Life insurance	230	-	230	-	230
Retirement	3,683	-	3,683	-	3,683
Worker's compensation	893	-	893	-	893
Supplies	7,596	-	7,596	-	7,596
Professional fees	5,243	-	5,243	-	5,243
Contractual maintenance	8,801	-	8,801	-	8,801
Co-op membership	2,414	-	2,414	-	2,414
Telephone	1,438	-	1,438	-	1,438
Travel and training	2,108	-	2,108	-	2,108
Community promotion	2,656	-	2,656	-	2,656
Insurance	4,556	-	4,556	-	4,556
Utilities	9,878	-	9,878	-	9,878
Equipment maintenance	6,489	-	6,489	-	6,489
Building maintenance	4,523	-	4,523	-	4,523
Miscellaneous	546	-	546	-	546
General fund administration	1,583	-	1,583	-	1,583
Library materials	36,513	-	36,513	-	36,513
Capital outlay	-	117,175	117,175	(112,365)	4,810
Depreciation	-	-	-	12,247	12,247
Total Expenditures	258,005	117,175	375,180	(100,118)	275,062
Excess (Deficiency) of Revenues Over (Under) Expenditures	144,119	(111,485)	32,634	100,118	132,752
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	(105,300)	105,300	-		
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	38,819	(6,185)	32,634		
Change in Net Assets					132,752
FUND BALANCES/NET ASSETS					
Beginning of Year	152,728	67,782	220,510	93,052	313,562
End of Year	\$ 191,547	\$ 61,597	\$ 253,144	\$ 193,170	\$ 446,314

See accompanying notes to basic financial statements.

DOWAGIAC DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Dowagiac District Library ("Library") conform to accounting principles generally accepted in the United States of America (GAAP) 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. A summary of the significant policies adopted by the Library are as follows:

REPORTING ENTITY:

The Dowagiac District Library is comprised of all the territory which is currently located within the jurisdictional limits of the City of Dowagiac, Cass County; Wayne Township, Cass County; Bainbridge Township, Berrien County; and the Dowagiac Union School District that is not part of the Cass District Library and the portion of the Dowagiac Union School District that is not part of the Eau Claire District Library. Accordingly, the Dowagiac District Library district includes a portion of the County of Cass, and significantly lesser portions of the County of Van Buren and the County of Berrien, State of Michigan.

The Library is funded primarily through property taxes, state aid, penal fines, grants, and donations. The voters of the districts approved a permanent .75 mill tax, which began with the tax levy effective December 1, 2005. Due to the Headlee roll back amendment, a net .7155 mill tax was levied on December 1, 2006.

The Library is governed by an appointed board (the "Library Board") which consists of seven members. The City of Dowagiac provides two members; the Dowagiac Union School District provides three members; and Wayne Township provides two members.

BASIS OF PRESENTATION:

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) and Fund Financial Statements. The government-wide and fund financial statements are combined, with a reconciliation shown between them.

The Library has two funds, the General Fund and the Capital Fund.

General Fund - The General Fund is the general operating fund of the Library and accounts for all revenues and expenditures of the Library not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Capital Fund - The Capital Fund is used to account for the accumulation of resources appropriated for capital outlay expenditures.

DOWAGIAC DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

The funds are budgeted and accounted for using the current financial resources measurement and the modified accrual basis of accounting. Revenue is recognized 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 revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are recorded at cost and include cash investments with an original maturity of three months or less.

CAPITAL ASSETS:

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building improvements	25 years
Furniture and equipment	5-10 years

The minimum capitalization threshold is any item with a total cost greater than \$1,000.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

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 expenditures during the reporting period. Actual results could differ from those estimates.

DOWAGIAC DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended September 30, 2007

NOTE B - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following at September 30, 2007:

Petty cash	\$	50
Deposits in financial institutions		256,920
	\$	256,970

The above deposits in financial institutions of \$256,920 were reflected in the accounts of the Library's financial institutions (without recognition of checks written but not yet cleared, or of deposits in transit) at \$260,865. Of that amount, \$198,751 was covered by federal depository insurance coverage and \$62,114 was uninsured and uncollateralized.

NOTE C - CAPITAL ASSETS:

Capital asset activity of the Library's governmental activities for the year ended September 30, 2007 was as follows:

	Balance Sept. 30, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance Sept. 30, <u>2007</u>
Building improvements	\$ 69,347	\$ 100,769	\$ -	\$ 170,116
Furniture and equipment	32,075	11,596	-	43,671
	101,422	112,365	-	213,787
Accumulated depreciation	(8,370)	(12,247)	-	(20,617)
Net capital assets	\$ 93,052	\$ 100,118	\$ -	\$ 193,170

The Library's capital assets acquired in years prior to the year ended September 30, 2005, were deemed to have exceeded their estimated useful lives and therefore are fully depreciated. Such assets are not reflected in the Statement of Net Assets.

NOTE D - PENSION PLAN:

The Library has established a pension plan for its employees which is being administered through the Municipal Employees' Retirement System of Michigan (MERS).

For the year ended September 30, 2007, the employer contribution was approximately 5.75% of reported eligible wages and totaled \$3,683.

DOWAGIAC DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONCLUDED

For the year ended September 30, 2007

NOTE E- RISK MANAGEMENT:

The Library maintains commercial insurance to insure potential significant losses. There have been no significant reductions in insurance coverage by the Library for the year ended September 30, 2007.

NOTE F - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Total fund balance and the net change in fund balance of the Library's governmental funds differs from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference is a result of the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental funds balance sheet and statement of revenue, expenditures, and changes in fund balance. The following are reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balances - modified accrual basis \$ 253,144

Amounts reported in the Statement of Net Assets are different because:

Capital assets are not financial resources, and are not reported in the funds 193,170

Net assets of Governmental Funds - full accrual basis \$ 446,314

Net Change in Governmental Fund Balances - modified accrual basis \$ 32,634

Amounts reported in the Statement of Activities are different because:

Capital outlays subject to the capitalization policy 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:

Capital outlay (subject to capitalization) 112,365
Depreciation (12,247)

Change in Net Assets of Governmental Funds - full accrual basis \$ 132,752

REQUIRED SUPPLEMENTARY INFORMATION

DOWAGIAC DISTRICT LIBRARY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local taxes	\$ 295,000	\$ 295,000	\$ 301,741	\$ 6,741
Penal fines	59,700	59,700	54,839	(4,861)
State-shared revenues	11,000	11,000	11,269	269
Charges for services	12,000	12,000	12,336	336
Ladies Library Association contribution	5,000	5,000	5,223	223
Other contributions and gifts	3,000	3,000	4,246	1,246
Grant revenue	-	5,300	5,300	-
Interest and dividends	4,000	8,000	3,259	(4,741)
Contracted services	-	5,400	2,926	(2,474)
Miscellaneous	1,000	1,000	985	(15)
	<u>390,700</u>	<u>405,400</u>	<u>402,124</u>	<u>(3,276)</u>
EXPENDITURES:				
Salaries and wages	138,000	142,200	134,192	8,008
Payroll taxes	10,350	10,672	10,266	406
Health and dental	15,000	15,000	14,397	603
Life insurance	250	250	230	20
Retirement	3,600	3,600	3,683	(83)
Severance/unemployment	2,000	2,000	-	2,000
Worker's compensation	1,000	1,000	893	107
Supplies	8,000	8,000	7,596	404
Professional fees	6,000	6,000	5,243	757
Contractual maintenance	8,800	8,805	8,801	4
Co-op membership	3,500	3,500	2,414	1,086
Telephone	2,200	2,200	1,438	762
Travel and training	3,000	3,000	2,108	892
Community promotion	3,000	3,000	2,656	344
Insurance	5,500	5,500	4,556	944
Utilities	13,000	13,000	9,878	3,122
Equipment maintenance	6,500	6,500	6,489	11
Building maintenance	6,000	6,000	4,523	1,477
Miscellaneous	500	1,378	546	832
General fund administration	2,500	2,500	1,583	917
Library materials	43,320	43,320	36,513	6,807
Contingency	6,680	6,675	-	6,675
Transfers out	102,000	111,300	105,300	6,000
	<u>390,700</u>	<u>405,400</u>	<u>363,305</u>	<u>42,095</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	38,819	38,819
FUND BALANCE, BEGINNING OF YEAR	152,728	152,728	152,728	-
FUND BALANCE, END OF YEAR	\$ 152,728	\$ 152,728	\$ 191,547	\$ 38,819

See accompanying notes to basic financial statements.