

## 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<br><input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other |  |                         |  | Local Unit Name<br>PERE MARQUETTE DISTRICT LIBRARY |  | County<br>CLARE |  |
| Fiscal Year End<br>6-30-07   |  | Opinion Date<br>10.3.07 |  | Date Audit Report Submitted to State<br>10.4.07    |  |                 |  |

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).

**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"/> | Included in Single Audit                   |             |                             |
| Other (Describe)   | <input checked="" type="checkbox"/> | SAS 61 letter                              |             |                             |
| Certified Public Accountant (Firm Name)<br>Weinlander Fitzhugh |                                     | Telephone Number<br>989-386-3481           |             |                             |
| Street Address<br>601 Beech Street                             |                                     | City<br>Clare                              | State<br>MI | Zip<br>48617                |
| Authorizing CPA Signature<br><i>Shannon Wilson</i>             |                                     | Printed Name<br>Shannon Wilson             |             | License Number<br>101027042 |



# WEINLANDER FITZHUGH

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## PERE MARQUETTE DISTRICT LIBRARY CLARE AND ISABELLA COUNTIES, MICHIGAN

FINANCIAL STATEMENTS  
JUNE 30, 2007

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## Independent Auditors' Report

October 3, 2007

To the Board of Directors  
Pere Marquette District Library  
Clare and Isabella Counties, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pere Marquette District Library as of and for the year ended June 30, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pere Marquette District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Pere Marquette District Library as of June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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# WEINLANDER FITZHUGH

Board of Directors  
Pere Marquette District Library  
October 3, 2007  
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated Date, on our consideration of the Library's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplemental information required by the U.S. generally accepted accounting principles and 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pere Marquette District Library's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and are not a required part of the basic financial statements. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Weinlander Fitzhugh*

PERE MARQUETTE DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

Our discussion and analysis of the Pere Marquette District Library's (Library) financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2007.

**Financial Highlights**

The Library's net assets increased by \$114,540 or 6%. Program revenues were \$34,418 or 10% of total revenues, and general revenues were \$318,059 or 90%.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pere Marquette District Library financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Library, presenting both an aggregate view of the Library's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Library's operations in more detail than the Government-wide financial. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Governmental-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

PERE MARQUETTE DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

**Reporting the Library as a Whole**

*The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the Library's finances is, "Is the Library better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Library's net assets as a way to measure the Library's financial position. The change in net assets provides the reader a tool to assist in determining whether the Library's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as assessment base, and facility conditions in arriving at their conclusion regarding the overall health of the Library.

**Reporting the Library's Most Significant Funds**

*Fund Financial Statements*

The Library's fund financial statements provide detail information about the most significant funds – not the Library as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The General Fund and Capital Project Fund used by the Library are governmental funds.

*Governmental Funds*

The Library's activities are reported in the governmental fund, which focus on how money flows into and out of the general fund and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Library's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Library's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

PERE MARQUETTE DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

**Library-wide Financial Analysis**

The Statement of Net Assets provides the perspective of the Library as a whole. Exhibit A provides a summary of the Library's net assets as of June 30, 2007 and 2006:

|  | Governmental<br>Activities |              |
|--|----------------------------|--------------|
| <b>Exhibit A</b>   | 2007                       | 2006         |
| <b>Assets</b>  |                            |              |
| Current and other assets                                 | \$ 576,627                 | \$ 1,111,797 |
| Capital assets - net of accumulated depreciation         | 2,924,182                  | 913,796      |
| Total assets   | 3,500,809                  | 2,025,593    |
| <b>Liabilities</b>                                       |                            |              |
| Current liabilities                                      | 124,426                    | 75,750       |
| Long-term liabilities                                    | 1,380,000                  | 68,000       |
|  | 1,504,426                  | 143,750      |
| <b>Net Assets</b>  |                            |              |
| Invested in property and equipment - net of related debt | 1,529,421                  | 830,689      |
| Restricted   | 321,306                    | 950,546      |
| Unrestricted   | 145,656                    | 100,608      |
| Total net assets   | \$ 1,996,383               | \$ 1,881,843 |

This analysis focuses on net assets. The Library's net assets were \$1,996,383 at June 30, 2007. Capital assets, net of related debt, totaling \$1,529,421 compares the original costs, less depreciation of the Library's capital assets to long-term debt used to finance the acquisition of those assets. The debt will be repaid from property taxes collected for operations of the Library and from campaign funds. Restricted net assets relate to the Capital Projects Fund for the new library building in the amount of \$321,306.

The \$145,656 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

PERE MARQUETTE DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

The results of this year's operations for the Library as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net assets for the year ended June 30, 2007 and 2006.

|                                  | Governmental<br>Activities |                  |
|----------------------------------|----------------------------|------------------|
| <b>Exhibit B</b>                 | 2007                       | 2006             |
| <b>Revenue</b>                   |                            |                  |
| Program revenue:                 |                            |                  |
| Contributions                    | \$ 31,743                  | \$ 115,737       |
| Charges for services             | 2,674                      | 12,474           |
| General revenue:                 |                            |                  |
| Taxes                            | 220,472                    | 198,412          |
| Penal fines                      | 63,443                     | 54,857           |
| Interest                         | 19,251                     | 15,944           |
| Miscellaneous                    | 14,893                     | 7,925            |
| Total revenue                    | 352,476                    | 405,349          |
| <b>Function/Program Expenses</b> |                            |                  |
| Recreation and culture           | 197,597                    | 295,984          |
| Capital campaign                 | 8,475                      | 28,123           |
| Interest on long-term debt       | 31,864                     | 0                |
| Total expenses                   | 237,936                    | 324,107          |
| <b>Change in Net Assets</b>      | <b>\$ 114,540</b>          | <b>\$ 81,242</b> |

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$237,936. Certain activities were funded from those who benefited from the programs or by other organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$220,472 in taxes, \$63,443 in penal finds, and with our other revenues, such as interest and state aid revenues.

PERE MARQUETTE DISTRICT LIBRARY  
 Management's Discussion and Analysis  
For the Year Ended June 30, 2007

The Library experienced an increase in net assets of \$114,540. A key reason for the change in net assets was conservative budget management during construction and use of volunteer support during the library's move to the new building. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

**The Library's Funds**

The Library uses funds to help it control and manage money for particular purposes. Looking at this fund helps the reader consider whether the Library is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Library's overall financial health.

The Library's governmental funds reported a fund balance of \$466,962, which is less than last year's total of \$1,051,154. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2007 and 2006.

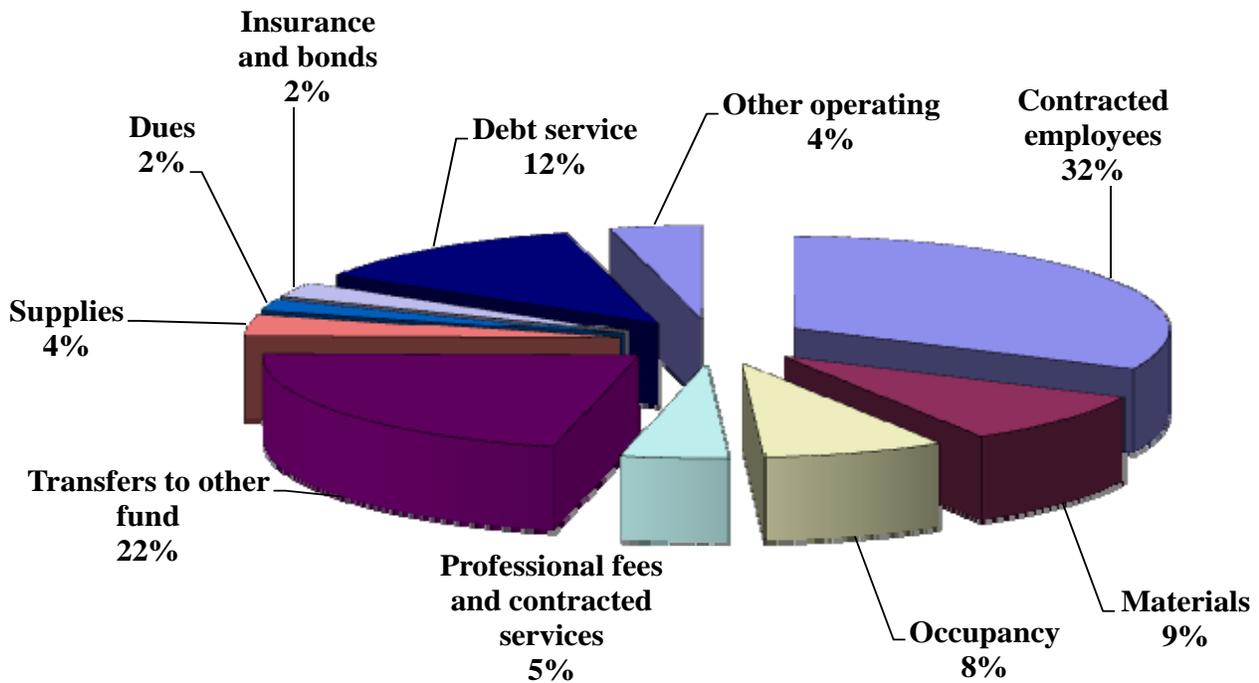
|                      | Fund Balance<br>June 30, 2007 | Fund Balance<br>June 30, 2006 | Increase<br>(Decrease) |
|----------------------|-------------------------------|-------------------------------|------------------------|
| General Fund         | \$ 145,656                    | \$ 100,608                    | \$ 45,048              |
| Capital Project Fund | 321,306                       | 950,546                       | (629,240)              |
|                      | <u>\$ 466,962</u>             | <u>\$ 1,051,154</u>           | <u>\$ (584,192)</u>    |

- Our General Fund increased \$45,048. The increase is mainly due to an increase in amount of property taxes and penal fines received.
- Our Capital Project Fund decreased \$629,240. The decrease is due to the costs of the construction for the new library.

**PERE MARQUETTE DISTRICT LIBRARY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

As the graph below illustrates, 32% of the Library's General Fund resources are spent on personnel costs. Another 22% was transferred to the construction fund, 12% was spent on interest on long term debt and 6% is spent on occupancy, which includes utilities, communications and repairs and maintenance. The remaining 28% is spent on other expenditures as shown below.

**Expenditures**



PERE MARQUETTE DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

**General Fund Budgetary Highlights**

Over the course of the year, the Library revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Library's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Final budgeted revenues were \$23,892 more than the original budget due to an increase in penal fines, and miscellaneous revenue.
- Final budgeted expenses were \$32,509 more than the original budget due to an increase in transfers to other fund, salaries and wages, repairs and maintenance, contracted services, operating supplies and miscellaneous expenses.

The differences between the budget and the final actual amounts are as follows:

- Actual revenues exceeded budgeted revenues by \$26,136. The difference is due to more property taxes being collected than budgeted.
- Actual expenditures were under the budgeted expenditures by \$27,529. The difference is that budgeted contracted employee expense is done on cash basis while actual is reported as accrual basis. The accrued expense for contracted employees decreased significantly because the city changed from quarterly billings to monthly billings. The difference in contracted employee expense was \$50,936 this amount was offset by interest expense of approximately \$30,000 that was not included in the budget.

PERE MARQUETTE DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

**Capital Assets**

At June 30, 2007, the Library had \$2,924,182 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions and disposals) of \$2,010,386 from last year.

|                               | <u>2007</u>                | <u>2006</u>              |
|-------------------------------|----------------------------|--------------------------|
| Land                          | \$ 50,000                  | \$ 50,000                |
| Library collection            | 711,026                    | 702,380                  |
| Construction in progress      | 0                          | 150,624                  |
| Buildings and improvements    | 2,175,585                  | 0                        |
| Equipment                     | <u>51,237</u>              | <u>89,776</u>            |
| Total capital assets          | 2,987,848                  | 992,780                  |
| Less accumulated depreciation | <u>63,666</u>              | <u>78,984</u>            |
| Net capital assets            | <u><u>\$ 2,924,182</u></u> | <u><u>\$ 913,796</u></u> |

This year's additions of \$2,010,386 included the construction of the building and the purchase of a server and telephone system.

**Debt**

At the end of this year, the Library had \$1,390,000 in long-term debt outstanding. The long-term debt consisted of the following:

|       | <u>2007</u>                | <u>2006</u>             |
|-------|----------------------------|-------------------------|
| Bonds | <u><u>\$ 1,390,000</u></u> | <u><u>\$ 78,000</u></u> |

**Factors Expected to Have an Effect on Future Operations**

We expect revenue from property taxes to be comparable to the current year. We will need to adjust Library expenditures in response to any revenue shortfall.

PERE MARQUETTE DISTRICT LIBRARY  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

**Requests For Information**

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Pere Marquette District Library. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Pere Marquette District Library  
185 E. Fourth Street  
Clare, MI 48617

PERE MARQUETTE DISTRICT LIBRARY  
Statement of Net Assets  
June 30, 2007

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <u>Assets</u>  |                                    |
| Cash and cash equivalents                                    | \$ 504,136                         |
| Due from other governments                                   | 22,240                             |
| Pledges receivable - net of allowance of \$15,003            | 50,251                             |
| Capital assets - net of accumulated depreciation of \$63,666 | <u>2,924,182</u>                   |
| Total Assets   | <u>3,500,809</u>                   |
| <u>Liabilities</u>   |                                    |
| Accounts payable   | 10,723                             |
| Accrued contracted services                                  | 9,561                              |
| Accrued interest   | 4,761                              |
| Retainage payable  | 89,381                             |
| Long-term liabilities:                                       |                                    |
| Due within one year  | 10,000                             |
| Due in more than one year                                    | <u>1,380,000</u>                   |
| Total Liabilities  | <u>1,504,426</u>                   |
| <u>Net Assets</u>  |                                    |
| Invested in capital assets -net of related debt              | 1,529,421                          |
| Restricted for new building                                  | 321,306                            |
| Unrestricted   | <u>145,656</u>                     |
| Total Net Assets   | <u><u>\$ 1,996,383</u></u>         |

See accompanying notes to financial statements

PERE MARQUETTE DISTRICT LIBRARY  
Statement of Activities  
For the Year Ended June 30, 2007

| <u>Functions/Programs</u>            | <u>Expenses</u>    | <u>Program Revenues</u>         |  |   | <u>Governmental<br/>Activities</u>                                 |
|--------------------------------------|--------------------|---------------------------------|--|---|--|
|                                      |                    | <u>Charges for<br/>Services</u> | <u>Operating Grants/<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Assets</u> |
| Primary Government -                 |                    |                                 |  |   |  |
| Governmental activities:             |                    |                                 |  |   |  |
| Recreation and culture               | \$ 197,597         | \$ 2,674                        | \$ 3,653                                   | \$ 0  | \$ (191,270)   |
| Capital campaign                     | 8,475              | 0                               | 0  | 28,090  | 19,615   |
| Interest on long-term debt           | <u>31,864</u>      | <u>0</u>                        | <u>0</u>                                   | <u>0</u>  | <u>(31,864)</u>  |
| <br>Total governmental<br>activities | <br><u>237,936</u> | <br><u>\$ 2,674</u>             | <br><u>\$ 3,653</u>                        | <br><u>\$ 28,090</u>                            | <br><u>(203,519)</u>   |
| General revenues:                    |                    |                                 |  |   |  |
| Taxes                                |                    |                                 |  |   | 220,472  |
| Penal fines                          |                    |                                 |  |   | 63,443   |
| Interest                             |                    |                                 |  |   | 19,251   |
| State aid                            |                    |                                 |  |   | 8,201  |
| Miscellaneous                        |                    |                                 |  |   | <u>6,692</u>   |
| Total general revenues               |                    |                                 |  |   | <u>318,059</u>   |
| Change in net assets                 |                    |                                 |  |   | 114,540  |
| Net assets - beginning of year       |                    |                                 |  |   | <u>1,881,843</u>   |
| Net assets - end of year             |                    |                                 |  |   | <u>\$ 1,996,383</u>  |

See accompanying notes to financial statements

PERE MARQUETTE DISTRICT LIBRARY  
Governmental Funds  
Balance Sheet  
June 30, 2007

|   | General<br>Fund | Capital<br>Project<br>Fund | Total      |
|---|-----------------|----------------------------|------------|
| <u>Assets</u>                                     |                 |                            |            |
| Cash and cash equivalents                         | \$ 143,700      | \$ 360,436                 | \$ 504,136 |
| Due from other governments                        | 22,240          | 0                          | 22,240     |
| Pledges receivable - net of allowance of \$15,003 | 0               | 50,251                     | 50,251     |
|   | 165,940         | 410,687                    | 576,627    |
| <br><u>Liabilities and Fund Balance</u>           |                 |                            |            |
| <u>Liabilities</u>                                |                 |                            |            |
| Accounts payable                                  | \$ 10,723       | \$ 0                       | \$ 10,723  |
| Accrued contracted services                       | 9,561           | 0                          | 9,561      |
| Retainage payable                                 | 0               | 89,381                     | 89,381     |
| Total liabilities                                 | 20,284          | 89,381                     | 109,665    |
| <br><u>Fund Balance</u>                           |                 |                            |            |
| Reserved for new building                         | 0               | 321,306                    | 321,306    |
| Unreserved:                                       |                 |                            |            |
| Undesignated                                      | 145,656         | 0                          | 145,656    |
| Total fund balances                               | 145,656         | 321,306                    | 466,962    |
| Total Liabilities and Fund Balances               | \$ 165,940      | \$ 410,687                 | \$ 576,627 |

See accompanying notes to financial statements

PERE MARQUETTE DISTRICT LIBRARY  
Reconciliation of Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2007

|   |                            |
|---|----------------------------|
| Total fund balance - governmental fund  | \$ 466,962                 |
| Amounts reported for governmental activities in the<br>statement of net assets are different because:           |                            |
| Capital assets used in governmental activities are not financial<br>resources and are not reported in the funds |                            |
| Cost of the capital assets  | 2,987,848                  |
| Accumulated depreciation  | (63,666)                   |
| Long-term liabilities are not due and payable in the current period<br>and are not reported in the funds:       |                            |
| Bonds payable   | (1,390,000)                |
| Accrued interest payable is not included as a liability in<br>governmental activities                           | (4,761)                    |
|   | <hr/>                      |
| Total net assets - governmental activities  | <u><u>\$ 1,996,383</u></u> |

See accompanying notes to financial statements

**PERE MARQUETTE DISTRICT LIBRARY**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and**  
**Change in Fund Balance**  
**For the Year Ended June 30, 2007**

|   | <u>General<br/>Fund</u> | <u>Capital<br/>Project<br/>Fund</u> | <u>Total</u> |
|---|-------------------------|-------------------------------------|--------------|
| <u>Revenues</u>                                     |                         |                                     |              |
| Taxes   | \$ 220,472              | \$ 0                                | \$ 220,472   |
| Penal fines   | 63,443                  | 0                                   | 63,443       |
| Miscellaneous                                       | 6,692                   | 0                                   | 6,692        |
| Contributions                                       | 3,653                   | 28,090                              | 31,743       |
| Local contracts                                     | 1,323                   | 0                                   | 1,323        |
| Library fines                                       | 1,351                   | 0                                   | 1,351        |
| Interest  | 1,447                   | 17,804                              | 19,251       |
| State aid   | 8,201                   | 0                                   | 8,201        |
| Total revenues                                      | 306,582                 | 45,894                              | 352,476      |
| <u>Expenditures</u>                                 |                         |                                     |              |
| Current operations                                  | 172,856                 | 0                                   | 172,856      |
| Capital campaign                                    | 0                       | 2,043,602                           | 2,043,602    |
| Debt service  | 32,210                  | 0                                   | 32,210       |
| Total expenditures                                  | 205,066                 | 2,043,602                           | 2,248,668    |
| Excess (deficiency) of revenue<br>over expenditures | 101,516                 | (1,997,708)                         | (1,896,192)  |
| <u>Other Financing Sources (Uses)</u>               |                         |                                     |              |
| Proceeds from issuance of bonds                     | 0                       | 1,312,000                           | 1,312,000    |
| Operating transfers in from other funds             | 0                       | 56,468                              | 56,468       |
| Operating transfers out to other funds              | (56,468)                | 0                                   | (56,468)     |
| Total other financing sources (uses)                | (56,468)                | 1,368,468                           | 1,312,000    |
| Net change in fund balance                          | 45,048                  | (629,240)                           | (584,192)    |
| Fund balance - beginning of year                    | 100,608                 | 950,546                             | 1,051,154    |
| Fund balance - end of year                          | \$ 145,656              | \$ 321,306                          | \$ 466,962   |

See accompanying notes to financial statements

**PERE MARQUETTE DISTRICT LIBRARY**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2007**

|   |                          |
|---|--------------------------|
| Net change in fund balance - total governmental funds   | \$ (584,192)             |
| <p>Amounts reported for governmental funds in the statement<br/>of activities are different because:</p>  |                          |
| <p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures;<br/>in the statement of activities, these costs are allocated<br/>over their estimated useful lives as depreciation</p> |                          |
| Depreciation expense  | (33,387)                 |
| Capital outlay  | 2,043,773                |
| <p style="padding-left: 20px;">Interest expense is recorded in the statement of activities when<br/>incurred; it is not reported in governmental funds until paid</p>   |                          |
|   | 346                      |
| <p style="padding-left: 20px;">Issuance of long-term debt is a revenue in the governmental<br/>funds, but not in the statement of activities (where it increases<br/>long-term debt)</p>                          |                          |
|   | <u>(1,312,000)</u>       |
| Change in net assets of governmental activities   | <u><u>\$ 114,540</u></u> |

See accompanying notes to financial statements

PERE MARQUETTE DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Pere Marquette District Library (Library) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Pere Marquette District Library:

**Reporting Entity**

The Pere Marquette District Library was organized on February 22, 2005 to provide library services to residents of the City of Clare and Grant Township in Clare County and Wise and Vernon Townships in Isabella County. The accompanying financial statements present the government.

**Government-Wide and 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.

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PERE MARQUETTE DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide 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 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 fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

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 general government, except those required to be accounted for in another fund.

The Capital Project Fund is used to record the cost of construction and furnishing of the new library building.

**Assets, Liabilities, and Net Assets or Equity**

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.

PERE MARQUETTE DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings and machinery and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 3 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 donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Equipment is being depreciated using the straight-line method over the following useful lives:

|                            |                |
|----------------------------|----------------|
| Buildings and improvements | 10 to 40 Years |
| Equipment                  | 5 to 10 Years  |

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

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.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

PERE MARQUETTE DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 2 – BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Pere Marquette District Library follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Library’s director submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

During the year ended June 30, 2007, the Library incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

| <u>Function</u>    | <u>Appropriations</u> | <u>Expenditures</u> | <u>Variance</u> |
|--------------------|-----------------------|---------------------|-----------------|
| Current:           |                       |                     |                 |
| Operating supplies | \$ 7,336              | \$ 7,675            | \$ (339)        |
| Professional fees  | 3,536                 | 12,059              | (8,523)         |
| Debt service       | 0                     | 32,210              | (32,210)        |

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund is presented as Required Supplemental Information.

PERE MARQUETTE DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit 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 United States banks; commercial paper rates 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 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's deposits are in accordance with statutory authority.

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

|                           |                                    |
|---------------------------|------------------------------------|
|                           | <u>Governmental<br/>Activities</u> |
| Cash and cash equivalents | <u>\$ 504,136</u>                  |

**Custodial Credit Risk- Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of June 30, 2007, \$401,611 of the Library bank balance of \$501,611 was exposed to custodial credit risk.

The Library's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

The Library had no investments as of June 30, 2007.

PERE MARQUETTE DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity of the Library for the current year was as follows:

|                                       | Balance<br>July 1,<br>2006 | Additions           | Disposals<br>and<br>Adjustments | Balance<br>June 30,<br>2007 |
|---------------------------------------|----------------------------|---------------------|---------------------------------|-----------------------------|
|                                       | <u>          </u>          | <u>          </u>   | <u>          </u>               | <u>          </u>           |
| <b>Governmental Activities</b>        |                            |                     |                                 |                             |
| Capital assets not being depreciated: |                            |                     |                                 |                             |
| Land                                  | \$ 50,000                  | \$ 0                | \$ 0                            | \$ 50,000                   |
| Library collection                    | 702,380                    | 8,646               | 0                               | 711,026                     |
| Construction in progress              | 150,624                    | 2,024,961           | 2,175,585                       | 0                           |
|                                       | <u>903,004</u>             | <u>2,033,607</u>    | <u>2,175,585</u>                | <u>761,026</u>              |
| Capital assets being depreciated:     |                            |                     |                                 |                             |
| Buildings and improvements            | 0                          | 2,175,585           | 0                               | 2,175,585                   |
| Equipment                             | 89,776                     | 10,166              | 48,705                          | 51,237                      |
| Subtotal                              | <u>89,776</u>              | <u>2,185,751</u>    | <u>48,705</u>                   | <u>2,226,822</u>            |
| Less accumulated depreciation for:    |                            |                     |                                 |                             |
| Buildings and improvements            | 0                          | 27,378              | 0                               | 27,378                      |
| Equipment                             | 78,984                     | 6,009               | 48,705                          | 36,288                      |
| Subtotal                              | <u>78,984</u>              | <u>33,387</u>       | <u>48,705</u>                   | <u>63,666</u>               |
| Net capital assets being depreciated  | <u>10,792</u>              | <u>2,152,364</u>    | <u>0</u>                        | <u>2,163,156</u>            |
| Governmental Activities, Total        |                            |                     |                                 |                             |
| Capital Assets - Net of Depreciation  | <u>\$ 913,796</u>          | <u>\$ 4,185,971</u> | <u>\$ 2,175,585</u>             | <u>\$ 2,924,182</u>         |

Depreciation expense was charged to Library as follows:

|                        |           |
|------------------------|-----------|
| Recreation and culture | \$ 33,387 |
|------------------------|-----------|

PERE MARQUETTE DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 5 – LONG-TERM DEBT**

Long-term obligation activity can be summarized as follows:

|       | <u>Balance<br/>July 1,<br/>2006</u> | <u>Additions</u> | <u>Retirements<br/>and<br/>Adjustments</u> | <u>Balance<br/>June 30,<br/>2007</u> | <u>Amount<br/>Due Within<br/>One Year</u> |
|-------|-------------------------------------|------------------|--|--------------------------------------|---|
| Bonds | \$ 78,000                           | \$ 1,312,000     | \$ 0                                       | \$ 1,390,000                         | \$ 10,000                                 |

Bonds payable at June 30, 2007 is comprised of the following issues:

|  |              |
|--|--------------|
| Revenue serial bonds due in<br>annual installments of \$10,000 to \$93,000<br>through December 1, 2046; interest at 4.375% | \$ 1,390,000 |
|--|--------------|

The Library signed a commitment with the United States Department of Agriculture (USDA) on June 15, 2006 to borrow up to \$1,545,000 in building and site bonds for the construction and furnishing of a new library building. As of June 30, 2007, the Library had received \$1,390,000 from the bond issue. Future installment payments will be received in the 2008 fiscal year.

**NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES, AND TRANSFERS**

A summary of inter-fund receivable and payable balances at June 30, 2007 and transfers made during the year ended June 30, 2007 is as follows:

| <u>Fund</u>     | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------|---------------------|----------------------|
| General         | \$ 0                | \$ 56,468            |
| Capital Project | <u>56,468</u>       | <u>0</u>             |
|                 | <u>\$ 56,468</u>    | <u>\$ 56,468</u>     |

There were no payables/receivables as of June 30, 2007.

Transfers are used for additional costs of constructing the new building and purchasing equipment associated with the new building.

PERE MARQUETTE DISTRICT LIBRARY  
Notes to Financial Statements  
For the Year Ended June 30, 2007

**NOTE 7 – RISK MANAGEMENT**

The Pere Marquette District Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Pere Marquette District Library participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Pere Marquette District Library.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Boards Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

## **Required Supplemental Information**

PERE MARQUETTE DISTRICT LIBRARY  
 Required Supplemental Information  
 Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2007

|                            | <u>Original<br/>Budget</u> | <u>Final Amended<br/>Budget</u> | <u>Actual</u>  | <u>Variances with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|----------------------------|----------------------------|---------------------------------|----------------|--|
| <u>Revenues</u>            |                            |                                 |                |  |
| Taxes                      | \$ 208,994                 | \$ 198,231                      | \$ 220,472     | \$ 22,241  |
| Penal fines                | 33,173                     | 54,919                          | 63,443         | 8,524  |
| Miscellaneous              | 2,850                      | 11,321                          | 6,692          | (4,629)  |
| Contributions              | 1,000                      | 3,653                           | 3,653          | 0  |
| Local contracts            | 0                          | 1,323                           | 1,323          | 0  |
| Library fines              | 1,000                      | 1,351                           | 1,351          | 0  |
| Interest                   | 900                        | 1,447                           | 1,447          | 0  |
| State aid                  | 8,637                      | 8,201                           | 8,201          | 0  |
|                            | <u>256,554</u>             | <u>280,446</u>                  | <u>306,582</u> | <u>26,136</u>  |
| <u>Expenditures</u>        |                            |                                 |                |  |
| Current:                   |                            |                                 |                |  |
| Contracted employees       | 134,900                    | 135,024                         | 84,088         | 50,936   |
| Materials:                 |                            |                                 |                |  |
| Books                      | 0                          | 1,621                           | 11,246         | (9,625)  |
| Periodicals and newspapers | 3,600                      | 4,133                           | 8,334          | (4,201)  |
| Audio and visual           | 15,700                     | 17,966                          | 4,133          | 13,833   |
|                            | <u>19,300</u>              | <u>23,720</u>                   | <u>23,713</u>  | <u>7</u>   |
| Other operating:           |                            |                                 |                |  |
| Office supplies            | 2,500                      | 2,796                           | 2,716          | 80   |
| Postage                    | 1,150                      | 1,345                           | 1,345          | 0  |
| Operating supplies         | 3,100                      | 7,336                           | 7,675          | (339)  |
| Repairs and maintenance    | 8,050                      | 8,662                           | 8,662          | 0  |
| Insurance and bonds        | 5,250                      | 6,694                           | 6,694          | 0  |
| Contracted services        | 5,000                      | 6,075                           | 6,075          | 0  |
| Utilities                  | 8,375                      | 8,081                           | 8,081          | 0  |
| Professional fees          | 5,000                      | 3,536                           | 12,059         | (8,523)  |
| Transportation             | 1,500                      | 2,415                           | 2,415          | 0  |

**PERE MARQUETTE DISTRICT LIBRARY**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2007**

|                                  | <u>Original<br/>Budget</u> | <u>Final Amended<br/>Budget</u> | <u>Actual</u>     | <u>Variances with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|----------------------------------|----------------------------|---------------------------------|-------------------|--|
| Communications                   | \$ 3,228                   | \$ 3,700                        | \$ 3,700          | \$ 0   |
| Dues                             | 5,271                      | 5,150                           | 5,150             | 0  |
| Miscellaneous                    | 120                        | 529                             | 483               | 46   |
|                                  | <u>48,544</u>              | <u>56,319</u>                   | <u>65,055</u>     | <u>(8,736)</u>   |
| Debt service                     | <u>0</u>                   | <u>0</u>                        | <u>32,210</u>     | <u>(32,210)</u>  |
| Total expenditures               | <u>202,744</u>             | <u>215,063</u>                  | <u>205,066</u>    | <u>9,997</u>   |
| <u>Other Financing (uses)</u>    |                            |                                 |                   |  |
| Transfers to other funds         | <u>(53,810)</u>            | <u>(74,000)</u>                 | <u>(56,468)</u>   | <u>17,532</u>  |
| Net change in fund balance       | 0                          | (8,617)                         | 45,048            | 53,665   |
| Fund balance - beginning of year | <u>100,608</u>             | <u>100,608</u>                  | <u>100,608</u>    | <u>0</u>   |
| Fund balance - end of year       | <u>\$ 100,608</u>          | <u>\$ 91,991</u>                | <u>\$ 145,656</u> | <u>\$ 53,665</u>   |



# WEINLANDER FITZHUGH

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Pere Marquette District Library  
Clare and Isabella Counties, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pere Marquette District Library as of and for the year ended June 30, 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated Date. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Pere Marquette District Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pere Marquette District Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pere Marquette District Library's internal control over financial reporting.

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

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# WEINLANDER FITZHUGH

Board of Directors  
Pere Marquette District Library  
October 3, 2007

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 combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control over financial reporting. We consider the deficiencies described in 2007-1 in the accompanying schedule of findings and questioned cost to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the Pere Marquette District Library's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above is a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pere Marquette District Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses items.

Pere Marquette District Library's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. We did not audit Pere Marquette District Library's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



# WEINLANDER FITZHUGH

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors  
Pere Marquette District Library  
Clare and Isabella Counties, Michigan

### Compliance

We have audited the compliance of Pere Marquette District Library with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Pere Marquette District Library' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pere Marquette District Library' management. Our responsibility is to express an opinion on Pere Marquette District Library' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pere Marquette District Library' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pere Marquette District Library' compliance with those requirements.

In our opinion, Pere Marquette District Library' complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

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Board of Directors  
Pere Marquette District Library  
October 3, 2007

**Internal Control over Financial Reporting**

The management of Pere Marquette District Library' is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pere Marquette District Library' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pere Marquette District Library' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program 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 administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was not for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PERE MARQUETTE DISTRICT LIBRARY  
 Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

**SECTION I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified?  YES  NO
- Significant deficiencies identified not considered to be material weaknesses?  YES  NO

Noncompliance material to financial statements noted?  YES  NO

**Federal Awards**

Internal Control over major programs:

- Material weakness(es) identified?  YES  NO
- Significant deficiencies identified not considered to be material weaknesses?  YES  NO

Type of auditor's report issued on compliance of major programs: Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133?  YES  NO

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.766                | Community Facilities Loans and Grants     |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  YES  NO

PERE MARQUETTE DISTRICT LIBRARY  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

**SECTION II - Financial Statement Findings**

**2007-1**

Criteria or Specific Requirement

Establishment and maintenance of internal controls over the financial reporting process.

Condition

Personnel responsible for financial reporting do not possess the skills necessary to monitor and report annual financial activity without auditor intervention.

Criteria

Internal controls should be in place to provide reasonable assurance to the Library that management possesses the skills necessary to monitor and report annual financial activity without auditor intervention.

Effect

The effect of this condition places a reliance on the independent auditor to be part of the Library's internal controls over financial reporting.

Recommendation

The Library should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Views of the Responsible Officials and Planned Corrective Action

As a result of the state of educational funding, the Library has not allocated resources to fund this process. We intend to re-evaluate once funding becomes available for the additional education and monitoring.

**SECTION III - Federal Award Findings and Questioned Costs**

There are no matters reported.

**PERE MARQUETTE DISTRICT LIBRARY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2007**

|                                       | <u>Federal<br/>CFDA<br/>Number</u> | <u>Approved<br/>Award, Grant<br/>Entitlement<br/>Amount</u> | <u>Current Year<br/>Expenditures</u> |
|---------------------------------------|------------------------------------|---|--------------------------------------|
| <u>U.S. Department of Agriculture</u> |                                    |   |                                      |
| Rural Development:                    |                                    |   |                                      |
| Community Facilities Loans and Grants | 10.766                             | \$ 1,545,000  | \$ 1,312,000                         |

See accompanying notes to financial statements

PERE MARQUETTE DISTRICT LIBRARY  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

**NOTE 1 – BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pere Marquette District Library and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.



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October 3, 2007

Board of Directors  
Pere Marquette District Library  
Clare and Isabella Counties, Michigan

This letter is intended to inform the Board of Directors about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Board of Directors.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

## **The Auditor's Responsibility Under Generally Accepted Auditing Standards and OMB Circular A-133**

Our audit of the financial statements of Pere Marquette District Library (Library) for the year ended June 30, 2007 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. 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. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

In planning and performing our audit, we considered Pere Marquette District Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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# WEINLANDER FITZHUGH

Board of Directors  
Pere Marquette District Library  
October 3, 2007  
Page 2

As part of obtaining reasonable assurance about whether Pere Marquette District Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Pere Marquette District Library's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Pere Marquette District Library's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Pere Marquette District Library's compliance with those requirements.

## **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.



# WEINLANDER FITZHUGH

Board of Directors  
Pere Marquette District Library  
October 3, 2007  
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## **Audit Adjustments**

There were several audit adjustments made to the original trial balance presented to us to begin our audit. Of the adjustments that were recorded, the adjustments to cash, taxes receivable, fund balance, accrued payroll, retainage payable and transfers to other funds could, in our judgment, either individually or in the aggregate, have a significant effect on the Library's financial reporting process.

## **Accounting Policies and Alternative Treatments**

Management and the Library Board have the ultimate responsibility for the appropriateness of the accounting policies used by the Library. The significant accounting policies adopted by the Library are described in Footnote 1 to the financial statements.

## **Disagreements with Management**

We encountered no disagreements with management over the application of significant principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

## **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

## **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.



# WEINLANDER FITZHUGH

Board of Directors  
Pere Marquette District Library  
October 3, 2007  
Page 4

## **Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

## **Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Pere Marquette District Library.

This report is intended solely for the information and use of the Library Board and management and is not intended to be, and should not be, used by anyone other than the specified parties.

*Weinlander Fitzhugh*