MACKINAW AREA PUBLIC LIBRARY
MACKINAW CITY, MICHIGAN

Financial Statements
For the Year Ended
June 30, 2008

Prepared By:
Richard E. Mahlmeister, C.P.A.
580 South Nicolet, P.O. Box 996
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Michigan Department of Treasury
496 (Rev.06/08)

Auditing Procedures Report

Instructions and MuniCodes | *=Required Fields | Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name* Mackinaw Area Public Library	County* EMMET	Type* LIBRARY	MuniCode* 24-8-001
Opinion Date-Use Calendar* Dec 22, 2008	Audit Submitted-Use Calendar* Dec 23, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

- [x] ? 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- [x] ? 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- [x] ? 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- [x] ? 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- [x] ? 5. Did the local unit adopt a budget for all required funds?
- [x] ? 6. Was a public hearing on the budget held in accordance with State statute?
- [x] ? 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- [x] ? 8. Has the local unit distributed tax revenues that were collected for another taxing unit timely as required by the general property tax act?
- [x] ? 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- [ ] 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (see Appendix H of Bulletin.)
- [x] ? 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- [x] ? 12. Is the local unit free of repeated reported deficiencies from previous years?
- [x] ? 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- [x] 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- [x] ? 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- [x] ? 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- [x] ? 18. Are there reported deficiencies? [x] 19. If so, was it attached to the audit report?

General Fund Revenue: ?	$ 199,693.00	General Fund Balance: ?	$ 1,334,283.00
General Fund Expenditure: ?	$ 193,145.00	Governmental Activities Long-Term Debt (see instructions): ?	$ 0.00
Major Fund Deficit Amount:	$ 0.00		

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Richard E.	Last Name* Mahlmeister	Ten Digit License Number* 1101017351		
CPA Street Address* P.O. Box 996	City* Mackinaw City	State* MI	Zip Code* 49701	Telephone* +1 (231) 436-5223
CPA Firm Name* Richard E. Mahlmeister, CPA	Unit's Street Address* P.O. Box 67	Unit's City* Mackinaw City	Unit's Zip* 49701	

MACKINAW AREA PUBLIC LIBRARY

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RICHARD E. MAHLMEISTER
CERTIFIED PUBLIC ACCOUNTANT, P.C.

Member:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

December 22, 2008

Members of the Board
Mackinaw Area Public Library
Mackinaw City, Michigan

I have audited the accompanying financial statements of the governmental activities and the major fund of the ***Mackinaw Area Public Library, Mackinaw City, Michigan,*** as of and for the year ended June 30, 2008, which collectively comprise the ***Mackinaw Area Public Library's*** basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the ***Mackinaw Area Public Library's*** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the ***Mackinaw Area Public Library,*** as of June 30, 2008, and the respective changes in financial position thereof 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 budgetary comparison information on pages 1 through 5 and 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Richard E. Mahlmeister, C.P.A.
Richard E. Mahlmeister, CPA, PC

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MACKINAW AREA PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Library's annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

As discussed in further detail in this section, the following represents the most significant financial highlights for the year ended June 30, 2008:

The assets of the Library exceeded its liabilities at the end of the fiscal year by $296,766 (net assets) at the government-wide level. Of the total, $163,338 represents capital assets, net of depreciation.

Revenues were $199,693 ($38,057 from program revenues and $161,636 from general revenues). Overall expenses were $192,616. The increase in net assets was $7,077.

At the close of the fiscal year, the Library's governmental fund reported a fund balance of $133,428, an increase of $6,548.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Library.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year June 30, 2008.

The remaining statements are fund financial statements, which focus on individual parts of the Library in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Library as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Library's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Library's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Library's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Library, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

All of the activities of the Library are reported as governmental activities; where all financial operations are recorded in the General Fund.

THE LIBRARY AS A WHOLE

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

Mackinaw Area Public Library
Change in Net Assets
June 30,

	GOVERNMENTAL ACTIVITIES	
Assets:	**2008**	**2007**
Current assets	$134,198	$127,803
Capital assets (net)	163,338	162,809
Total assets	297,536	290,612
Liabilities - all current	770	923
Net assets:		
Invested in capital assets	163,338	162,809
Restricted	22,016	20,575
Unrestricted	111,412	106,305
Total Net Assets	$296,766	$289,689

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The Library's total net assets increased $7,077 over the total at the end of the previous fiscal year. The most significant portion of the Library's Net Assets is the investment in capital assets (e.g. land, buildings and equipment), less any related debt that is outstanding that the Library used to acquire or construct the asset. The Library has $22,016 of donor restricted net assets and $111,412 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

The following table summarizes the results of the changes in Net Assets of the Library:

Mackinaw Area Public Library
Change in Net Assets
June 30,

	GOVERNMENTAL ACTIVITIES	
REVENUES:	**2008**	**2007**
Program revenues:		
Charges for serviees	$1,372	$1,210
Operating grants and contributions	8,500	13,829
Capital grants and contributions	28,185	40,381
General revenues:		
Property taxes	121,348	116,397
State revenues	3,061	3,706
Interest income	3,409	3,969
Penal fines	31,238	54,542
Other	2,580	2,902
Total Revenues	199,693	236,936
EXPENSES:		
Recreation and culture	192,616	179,683
Total Expenses	192,616	179,683
NET ASSETS:		
Decrcase in net assets	7,077	57,253
Beginning net assets	289,689	232,436
Ending net assets	$296,766	$289,689

Governmental Activities

The Library's governmental revenues totaled $199,693, with the greatest source being property taxes collected from the governmental units comprising the district. Property taxes have increased primarily due to increases in taxable value. Our operating and capital grants, and contributions decreased by $17,525 as the Library received additional initial contributions from two charitable trusts in the prior year that we did not receive this year. Our penal fines have also decreased by $23,304 over last year. Though penal fine income is generally unpredictable, during the prior year, additional Emmet County penal fine revenues were recognized due to the acceleration of a payment into the prior year.

Governmental Activities (Continued)

The Library incurred expenses of $192,616 during the year. These expenses have increased $12,933 over the prior year, primarily due to general increases in the cost of conducting operations and additional depreciation expense.

THE LIBRARY'S FUND FINANCIAL STATEMENT

The fund financial statements provide more detailed information about The Library's funds. Funds are used to account for specific activities or funding sources. Funds are established to account for funding of specific financial resources and to show proper expenditure of those resources.

The Service has only the following type of fund:

Governmental Fund

The Library maintains one fund, the General Fund, which accounts for all the Library's governmental services. The Library is financed primarily by property tax revenue, state aid, contributions from private individuals and penal fines collected from Cheboygan and Emmet Counties. The Library's revenues totaled $199,693. Expenses incurred for the fiscal year were $193,145. Fund balance increased by $6,548 to $133,428.

Capital Asset and Debt Administration

At June 30, 2008, the Library capitalized assets in the amount of $29,407 consisting of four new computers from a grant from the Bill and Melinda Gates Foundation, a new projector, and new books purchased from the Jack J. Detzler Charitable Trust, and audio/visual materials. Our capital assets of $488,017 consist of land, building and improvements, books and audio/visual materials, computers and other office equipment.

At June 30, 2008 the Library had no debt outstanding.

GENERAL FUND BUDGETARY HIGHLIGHTS

The adopted budget of the Library remained stable over the year without significant amendments, with the exception of private donations and grant revenues, office supplies, professional services and the books budget. These were amended for contributions and grants received for technology, children's programs and the Jack J. Detzler Charitable Trust and the purchase of books with these restricted monies.

FACTORS AFFECTING FUTURE OPERATIONS

Tax revenues continue to grow or remain stable. The Library is concerned about decreasing revenues from both penal fines and state aid. We expect to continue to receive contributions from the Jack J. Detzler Charitable Trust, which are dependent on the earnings of the trust and will continue to purchase books with these monies.

CONTACTING LIBRARY MANAGEMENT

This financial report is designed to provide our citizens and customers with a general overview of the Library's finances and to demonstrate the Library's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Library at 231.436.5451.

Sarah T. Allaire
Director

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MACKINAW AREA PUBLIC LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS	GOVERNMENTAL ACTIVITIES
Cash and cash equivalents	$38,076
Investments	57,286
Receivables:	
Accounts	6,058
From other governmental units	32,778
Capital assets (net of accumulated depreciation)	163,338
TOTAL ASSETS	297,536
LIABILITIES	
Accounts payable	770
NET ASSETS	
Invested in capital assets	163,338
Restricted for donor contributions	22,016
Unrestricted	111,412
TOTAL NET ASSETS	$296,766

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

MACKINAW AREA PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: TOTAL
Primary government:					
Governmental activities:					
Recreation and culture	$192,616	$1,372	$8,500	$28,185	($154,559)
		General Revenues			
		Property taxes			121,348
		State revenues			3,061
		Unrestricted interest income			3,409
		Penal fines			31,238
		Other			2,580
		Total general revenues			161,636
		Change in net assets			7,077
		Net assets, beginning of year			289,689
		Net assets, end of year			$296,766

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

FUND FINANCIAL STATEMENTS

MACKINAW AREA PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2008

ASSETS	
Cash and cash equivalents	**$38,076**
Investments	**57,286**
Accounts receivable	**6,058**
Receivables from other governmental units	**32,778**
TOTAL ASSETS	**$134,198**
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	**$770**
FUND BALANCE	
Restricted for donor contributions	**22,016**
Designated for subsequent years' expenditures	**15,000**
Unreserved, undesignated	**96,412**
TOTAL FUND BALANCE	**133,428**
TOTAL LIABILITIES AND FUND BALANCE	**$134,198**

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

MACKINAW AREA PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2008

Reconciliation of fund balance on the balance sheet for governmental activities to the statement of net assets	
FUND BALANCE - TOTAL GOVERNMENTAL FUND	**$133,428**
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Add: capital assets	**516,725**
Subtract: accumulated depreciation	**(353,387)**
NET ASSETS OF GOVERNMENTAL ACTIVITIES	**$296,766**

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

MACKINAW AREA PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

REVENUES:	
Property taxes	**$121,348**
State aid	**3,061**
Grants	**7,310**
Private donations	**29,375**
Penal fines	**31,238**
Book fines	**1,567**
Copy machine fees	**1,018**
Fax machine fees	**354**
Interest	**3,409**
Book sale	**979**
Miscellaneous	**34**
TOTAL REVENUES	**199,693**
EXPENDITURES:	
Salaries and wages	**96,800**
Employee benefits	**7,657**
Offiee supplies	**5,433**
Educational programs	**1,398**
Professional services	**5,806**
Communications	**6,120**
Transportation	**1,222**
Books	**19,597**
Audio-visual materials	**5,060**
Periodicals and newspapers	**2,487**
Insurance	**24,934**
Utilities	**7,082**
Repairs and maintenance - supplies	**1,312**
Repairs and maintenanee - labor	**1,135**
Miscellaneous	**492**
Small equipment	**1,860**
Capital outlay	**4,750**
TOTAL EXPENDITURES	**193,145**
EXCESS OF REVENUE OVER EXPENDITURES	**6,548**
FUND BALANCE - BEGINNING OF YEAR	**126,880**
FUND BALANCE - END OF YEAR	**$133,428**

The aceompanying notes are an integral part of these financial statements.

MACKINAW AREA PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

Reconciliation of statement of revenues, expenditures and changes in fund balances of the governmental fund to the statement of activities	
NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	**$6,548**
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.	
Add: capital outlay capitalized during the current year	**29,407**
Subtract: depreciation expense	**(28,878)**
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	**$7,077**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The ***Mackinaw Area Public Library*** is recognized as a legally established District Library pursuant to Michigan P.A. 24, Section 6, 1989, serving the Mackinaw City, Carp Lake, Levering and Pellston areas of Northern Lower Michigan's Emmet and Cheboygan Counties.

The accounting policies of the ***Mackinaw Area Public Library***, Mackinaw City, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

For external financial reporting purposes, the Library includes all funds that are controlled by or dependent on the District's legislative branch. The ***Mackinaw Area Public Library*** is considered to be a local governmental unit.

THE REPORTING ENTITY

The Library has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the library. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support (the Library does not have any business-type activities).

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUND

Governmental Funds

General Fund - The General Fund is the general (and only) operating fund of the Library. It is used to account for all financial resources. Financing is provided primarily by property taxes, penal fines, state aid and contributions.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and savings accounts.

INVESTMENTS

Investments are stated at market, and consist of certificates of deposit with maturity values of three months or longer.

RECEIVABLES

All receivables are reported at their gross values. Receivables consist of contributions, taxes, state aid and penal fines due from other governmental units. All receivables are expected to be collected, in full.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

CAPITAL ASSETS

Capital assets, which include property, furniture, equipment and books, are generally defined by the Library as assets with an initial individual cost of $750 and an estimated useful life in excess of one year, and all books and audio/visual materials. 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. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10 – 40 years
Computer and office equipment	5 – 10 years
Furniture and fixtures	5 – 10 years
Books and audio/visual materials	5 years

FUND EQUITY

Reserved fund balances for governmental funds indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Restricted equity indicates that a portion of fund equity has been restricted as to its use by donors. Designated fund balance indicates that a portion of fund equity for which the Library has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Library follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Library Board of Trustees prepares a proposed operating budget for the fiscal year commencing on July 1.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to June 30, the budget is legally enacted through passage of a resolution.

4. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Library Board of Trustees.

The Library Board of Trustee's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements the approved budget was adopted to the functional level. During the year, the Library did not incur expenditures in excess of the amount appropriated.

NOTE 3: CASH AND INVESTMENTS

The caption on the statement of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	$38,076
Investments	57,286
	$95,362

Custodial Credit Risk – Deposits

The deposits do not exceed $100,000 and, therefore, are covered by the Federal Deposit Insurance Corporation (F.D.I.C.). The Library may experience significant fluctuations in deposit balances through the year.

Statutory Authority

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

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

NOTE 4: CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	Balance July 1, 2007	Additions	(Deletions)	Balance June 30, 2008
Not being depreciated:				
Land	$15,000	$ -	$ -	$15,000
Being depreciated:				
Buildings	171,859	-	-	171,859
Building Improvements	21,940	-	-	21,940
Computer equipment	31,113	4,000	-	35,113
Library & Office Equipment	20,134	750	(699)	20,185
Furniture & fixtures	86,267			86,267
Books and audio/visual materials	141,704	24,657	-	166,361
Subtotal	488,017	29,407	(699)	516,725
Less accumulated depreciation	(325,208)	(28,878)	699	(353,387)
Total	$162,809	$529	$ -	$163,338

Depreciation was charges to the Library's functions as follows:

Recreation and culture	$28,878

NOTE 5: FUND EQUITY

Restricted for donors' contributions

The restricted equity represents balances where their use is specified by the donor. Following are the amount of monies restricted for such purposes as of June 30, 2008:

Restricted for children's programs	$15,331
Restricted for book purchases	4,685
Restricted for capital improvements	2,000
	$22,016

Designated fund balance

The designated fund balance represents funds that are to be used to spend in the subsequent year. The amount of monies designated for such purpose at June 30, 2008 was $15,000.

NOTE 6: PROPERTY TAXES

Property tax revenues shown in the General Fund reflect the 2007 Library levy on the assessed valuation of property located in the Counties as of the preceding December 31st. Taxable values are established annually by the Counties. The 2006 levy covers the Library's fiscal year of July 1, 2007 to June 30, 2008. The 2007 tax levy became a lien on properties on December 1, 2007, and was substantially collected by June 30, 2008. Taxes became delinquent on March 1, 2008. Property tax revenues from the participating governmental units generated $121,348 for general operating purposes.

NOTE 7: RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, suits, complaints, and employee injuries. In the opinion of management, all such potential matters are adequately covered by insurance and would not have a significant effect on the financial position or results of operations of the Library. Claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 8: OTHER MATTERS

The Library has, on its behalf, an endowment fund established with the Straits Area Community Foundation to provide funds for its activities. The market value of the fund was approximately $3,396 at October 31, 2007.

The Library is a beneficiary of the Jack J. Detzler Charitable Trust. The Library receives quarterly payments from the trustee, which are restricted for the purchase of books. The amount of these quarterly payments depends solely on the amount of the investment earnings of the trust. Contributions from the trust for the year ended June 30, 2008 were $20,436.

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REQUIRED SUPPLEMENTARY INFORMATION

MACKINAW AREA PUBLIC LIBRARY
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property taxes	$111,000	$115,000	$121,348	$6,348
State aid	-	3,300	3,061	(239)
Grants	-	5,500	7,310	1,810
Private donations	20,000	23,300	29,375	6,075
Penal fines	27,000	31,500	31,238	(262)
Book fines	1,300	1,200	1,567	367
Copy machine fees	1,100	800	1,018	218
Fax machine fees	250	250	354	104
Interest	2,000	1,600	3,409	1,809
Book sale	1,000	1,000	979	(21)
Miscellaneous	500	250	34	(216)
TOTAL REVENUES	164,150	183,700	199,693	15,993
EXPENDITURES-RECREATION AND CULTURE				
Salaries and wages	102,000	99,000	96,800	2,200
Employee benefits	8,130	7,850	7,657	193
Office supplies	3,500	6,000	5,433	567
Educational programs	1,500	1,700	1,398	302
Professional services	3,000	8,000	5,806	2,194
Communications	7,000	7,000	6,120	880
Transportation	500	1,500	1,222	278
Books	16,000	20,300	19,597	703
Audio-visual materials	3,120	7,000	5,060	1,940
Periodicals and newspapers	2,900	2,600	2,487	113
Insurance	26,500	24,500	24,934	(434)
Utilities	7,600	7,500	7,082	418
Repairs and maintenance - supplies	1,000	1,250	1,312	(62)
Repairs and maintenance - labor	800	1,000	1,135	(135)
Miscellaneous	300	500	492	8
Small equipment	300	2,000	1,860	140
Capital outlay	-	1,000	4,750	(3,750)
TOTAL EXPENDITURES	184,150	198,700	193,145	5,555
REVENUE OVER (UNDER) EXPENDITURES	(20,000)	(15,000)	6,548	21,548
FUND BALANCE - BEGINNING OF YEAR	126,880	126,880	126,880	-
FUND BALANCE - END OF YEAR	$106,880	$111,880	$133,428	$21,548

RICHARD E. MAHLMEISTER
CERTIFIED PUBLIC ACCOUNTANT, P.C.

Member:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

December 22, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Members of the Board
Mackinaw Area Public Library
Mackinaw City, Michigan

I have audited the financial statements of the governmental activities the major fund, of Mackinaw Area Public Library, and have issued my report thereon dated December 22, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated April 18, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you on December 4, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mackinaw Area Public Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was determining depreciation expense. I evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated December 22, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Auditing standards require me to report to you significant audit findings or issues. Following are the significant findings I noted during my audit:

- There is a lack of segregation of duties in the accounting function due to the limited number of accounting personnel. This condition is generally inherent in organizations the size of Mackinaw Area Public Library, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

- Mackinaw Area Public Library does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures. However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

Additionally I have presented other matters for your consideration in the same letter dated December 22, 2008.

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

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

Sincerely,

Richard E. Mahlmeister, C.P.A.
Richard E. Mahlmeister, C.P.A., P.C.

RICHARD E. MAHLMEISTER
CERTIFIED PUBLIC ACCOUNTANT, P.C.

Member:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

December 22, 2008

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES IN INTERNAL CONTROL AND OTHER MATTERS

Members of the Board
Mackinaw Area Public Library
Mackinaw City, Michigan

In planning and performing my audit of the financial statements of the ***Mackinaw Area Public Library*** as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Mackinaw Area Public Library's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mackinaw Area Public Library's internal control. My consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, I do not express an opinion on the effectiveness of the Mackinaw Area Public Library's internal control.

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

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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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I consider the following deficiencies to be significant deficiencies in internal control:

Lack of Segregation of Duties
Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

This condition is generally inherent in organizations the size of the Mackinaw Area Public Library, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

I believe the following deficiency constitutes a material weakness:

Financial Statement Preparation
The Mackinaw Area Public Library does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures.

However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

In addition, I noted other matters for your consideration:

Gifts to employees
I noted that gift certificates were made to the employees. According to state statute "retirement functions, gifts or plaques for employees or officials, recognition dinners for volunteer for firefighters or ambulance staff are usually not for a public purpose, therefore are not an allowable expense."

I suggest the Board review state statutes and/or consult with your attorney before any expenditure outside normal operational expenditures are made.

This communication is intended solely for the information and use of management and the Members of the Board of ***Mackinaw Area Public Library***, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the opportunity to serve ***Mackinaw Area Public Library.*** Best wishes in the next year.

Sincerely,

Richard E. Mahlmeister, C.P.A.
Richard E. Mahlmeister, C.P.A., P.C.