

**ASHLEY DISTRICT LIBRARY  
Ashley, Michigan**

**Financial Statements  
With Supplemental Information**

**June 30, 2007**



### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Ashley District Library	County Gratiot
Fiscal Year End 6/30/07	Opinion Date 12/11/07	Date Audit Report Submitted to State 12/26/07	

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).

**YES NO Check each applicable box below.** (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not Required	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Roslund, Prestage & Company, P.C.		Telephone Number (989) 463-6123	
Street Address 308 Gratiot Avenue		City Alma	State Zip MI 48801
Authorizing CPA Signature 	Printed Name William Hirschman		License Number 1101016179

ASHLEY DISTRICT LIBRARY  
FINANCIAL STATEMENTS  
JUNE 30, 2007

---

**Table of Contents**

**Independent Auditor's Report**

**Management's Discussion and Analysis** |

**Financial Statements:**

*Government-wide Financial Statements:*

Statement of Net Assets 1

Statement of Activities 2

*Fund Financial Statements:*

Balance Sheet – Governmental Funds 3

Statement of Revenues, Expenditures and Changes in Fund  
Balances – Governmental Funds 4

*Notes to Financial Statements* 5-9

**Required Supplementary Information:**

Budgetary Comparison Schedules 10



## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Ashley District Library  
Ashley, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Ashley District Library (the 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 the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Library's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Roslund, Prestage & Company, P.C.*

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

December 11, 2007

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**ASHLEY DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

This section of Ashley District Library's annual financial report presents our discussion and analysis of Ashley District Library's financial performance during the year ended June 30, 2007. Please read this section in conjunction with the financial statements that immediately follow this section.

The net assets of the District Library on June 30, 2007 were \$29,345. This total is an increase of \$4,627 over the total of net assets of \$24,718 available at the beginning of the year. The principal reason for the increase in net assets was due to increased revenues from county penal fines that were not anticipated. Expenditures were similar to previous years with the most significant expenditure being the annual lease of \$24,000 paid to the Ashley Community Schools for use of the school's facility as the district library. Other expenditures were within or below final budgeted amounts.

Actual revenues exceeded original budgeted amounts by \$1,109 or 2.8%. Penal fines, the primary source of revenue for the district library, are not forwarded to the library until after the original budget is adopted in July.

The district library pays an annual lease amount of \$24,000 to Ashley Community Schools for use of the school's library facility. This amount represented 65% of the total actual expenditures of the district library for 2007. Ashley Community Schools pays all utilities, repairs and maintenance, cleaning and custodial, and salary and benefits of the librarian.

The Ashley District Library accounts for its revenues and expenditures in its general fund and has no other account funds.

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

Ashley District Library  
Statement of Net Assets  
June 30, 2007

---

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash - Checking	\$7,978
Certificate of Deposit	<u>21,367</u>
Total Assets	<u><u>\$29,345</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
Net Assets	
Unrestricted	<u>\$29,345</u>
Total Liabilities and Net Assets	<u><u>\$29,345</u></u>

See Accompanying Notes To Financial Statements

Ashley District Library  
Statement of Activities  
June 30, 2007

---

		Program Revenues		
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
Recreation and Cultural	\$36,682	\$33,918	\$1,172	(\$1,592)
General Revenues				
Unrestricted Investment Income				782
Donations				333
Miscellaneous				5,104
Total General Revenues				6,219
Change in Net Assets				4,627
Net Assets - Beginning of Year				24,718
Net Assets - End of Year				\$29,345

See Accompanying Notes To Financial Statements

# FUND FINANCIAL STATEMENTS

Ashley District Library  
Balance Sheet - Governmental Funds  
June 30, 2007

---

	<u>General Fund</u>
<b>ASSETS</b>	
Cash - Checking	\$7,978
Certificate of Deposit	<u>21,367</u>
Total Assets	<u><u>\$29,345</u></u>
 <b>LIABILITIES AND FUND EQUITY</b>	
Fund Equity	
Fund Balance - Unreserved	<u>\$29,345</u>
Total Liabilities And Fund Equity	<u><u>\$29,345</u></u>

See Accompanying Notes To Financial Statements

Ashley District Library  
Statement Of Revenues, Expenditures, And Changes In Fund Balances  
Governmental Funds  
Year Ended June 30, 2007

---

	General Fund
Revenues	
Local Sources	
Penal Fines	\$33,882
Video Rental	36
Donations	333
Interest	782
Miscellaneous	5,104
Total Local Sources	40,137
State Sources	
State Aid	1,172
Total Revenues	41,309
Expenditures	
Recreational And Cultural Library	
Books And Videos	2,741
Subscriptions	708
Building Lease	24,000
Supplies	987
Summer Program	229
Memberships	1,312
Workshops & Conferences	297
Professional Development / Mileage	424
Librarian	2,129
Small Equipment Purchases	3,855
Total Expenditures	36,682
Excess Of Revenues Over (Under) Expenditures	4,627
Fund Equity - Beginning of Year	24,718
Fund Equity - End of Year	\$29,345

See Accompanying Notes To Financial Statements

# NOTES TO FINANCIAL STATEMENTS

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Ashley District Library (the Library) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Library.

### **Reporting Entity**

The Ashley District Library was established June 15, 1998 under the District Library Establishment Act, 1989 PA 24, as amended. The Library district consists of the municipalities of Ashley Community Schools, Elba Township, Chapin Township, Marion Township, Hamilton Township, North Star Township, and Washington Township.

A Board consisting of 8 trustees governs the Library. The Ashley Community Schools board appoints two of the trustees to the Library board to represent the School District. Each of the six Townships appoints one trustee to represent their respective Township.

### **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 Library. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All of the Government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items, including intergovernmental payments, not properly included among program revenues, are reported instead as general revenues.

Ashley District Library  
Notes to Financial Statements  
June 30, 2007

---

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Library's policy to use restricted sources first, then unrestricted resources as they are needed.

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

Government-Wide Financial Statements – The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 year end.

The Library reports the following major governmental funds:

The general fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

### **Budgetary Data**

Budgets are adopted by the Library for the general fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the line item level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Ashley District Library  
Notes to Financial Statements  
June 30, 2007

---

**Cash and cash equivalents**

The Library's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

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

**Inventories**

The Library does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental column in the Government-wide financial statements. Capital assets are defined by the Library as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized.

Ashley District Library  
Notes to Financial Statements  
June 30, 2007

---

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the Government-wide financial statements.

As of June 30, 2007, Ashley District Library did not have any assets that meet the requirement for capitalization.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Combining Statements**

The Library has only one fund; therefore, combining statements are not necessary.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Excess of Expenditures over Appropriations**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Budgets for the budgetary funds were adopted at the line item level and have been presented at the line item in the back of this report.

**NOTE 3 - DETAIL NOTES**

**Cash and cash equivalents**

At June 30, 2007, the carrying amount of the Library's cash and cash equivalents was as follows:

Checking Account	\$7,978
Certificate Of Deposits	21,367
<b>Total</b>	<b>\$29,345</b>

At year-end, the carrying amount of the Library's cash deposits was \$7,945 and the bank balance was \$8,025. The entire bank balance was covered by federal depository insurance.

Ashley District Library  
Notes to Financial Statements  
June 30, 2007

---

**Related Party Transactions**

Ashley District Library has entered into an operating lease for the use of the Ashley Community School's library facilities. Ashley Community Schools appoints two of the eight board members.

Operating leases do not give rise to property rights or lease obligations, and therefore, the lease agreement is not reflected in capital assets. The annual lease for the year ending June 30, 2007 was \$24,000.

**Risk Management**

The Library is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Library has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year. The Library is required to indemnify Ashley Community Schools and each of the six member Townships against all claims arising from or relating to the operation by the Board of Trustees of the Library.

**Dissolution**

If the Library is dissolved, all tangible and intangible assets of the Library acquired by the Library during its existence shall be conveyed to the Ashley Community Schools to be used for the purpose of providing library services.

# **REQUIRED SUPPLEMENTAL INFORMATION**

## **BUDGETARY COMPARISON SCHEDULE**

Ashley District Library  
Statement Of Revenues, Expenditures, And Changes In Fund Balances  
Budget And Actual - General Fund  
Year Ended June 30, 2007

	General Fund			
	Original	Final	Actual	Variance
<b>Revenues</b>				
Local Sources				
Penal Fines	\$37,500	\$38,500	\$33,882	(\$4,618)
Video Rental	50	50	36	(14)
Donations	100	100	333	233
Interest	-	150	782	632
Miscellaneous	400	400	5,104	4,704
Total Local Sources	<u>38,050</u>	<u>39,200</u>	<u>40,137</u>	<u>937</u>
State Sources				
State Aid	<u>1,000</u>	<u>1,000</u>	<u>1,172</u>	<u>172</u>
Total Revenues	<u>39,050</u>	<u>40,200</u>	<u>41,309</u>	<u>1,109</u>
<b>Expenditures</b>				
Recreational And Cultural Library				
Books And Videos	4,500	4,500	2,741	1,759
Subscriptions	400	400	708	(308)
Building Lease	24,000	24,000	24,000	-
Supplies	1,000	1,000	987	13
Summer Program	800	800	229	571
Professional Services	1,000	500	-	500
Memberships	2,000	2,000	1,312	688
Workshops And Conferences	500	300	297	3
Professional Development / Mileage	300	300	424	(124)
Librarian	5,000	5,000	2,129	2,871
Small Equipment Purchases	9,000	9,000	3,855	5,145
Miscellaneous	3,000	1,500	-	1,500
Total Expenditures	<u>51,500</u>	<u>49,300</u>	<u>36,682</u>	<u>12,618</u>
Excess Of Revenues Over (Under) Expenditures	(12,450)	(9,100)	4,627	13,727
Fund Equity - Beginning of Year	<u>24,718</u>	<u>24,718</u>	<u>24,718</u>	<u>-</u>
Fund Equity - End of Year	<u><u>\$12,268</u></u>	<u><u>\$15,618</u></u>	<u><u>\$29,345</u></u>	<u><u>\$13,727</u></u>

See Accompanying Notes To Financial Statements