

Portland District Library

**Financial Statements
With Supplemental Information
June 30, 2007**

Auditing Procedures Report

Issued under P.A. 2 of 1988, 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 Portland District Library		County Ionia	
Fiscal Year End June 30, 2007		Opinion Date November 5, 2007		Date Audit Report Submitted to State December 19, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

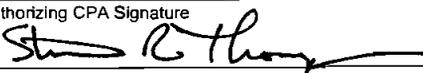
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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

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

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

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

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BIGGS, HAUSSERMAN, THOMPSON & DICKINSON PC			Telephone Number 616-642-9467	
Street Address 356 EAST MAIN ST			City SARANAC	State MI
			Zip 48881	
Authorizing CPA Signature 		Printed Name STEVEN R THOMPSON		License Number 1101012375

Portland District Library

June 30, 2007

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Independent Auditor's Report



Independent Auditor's Report

To the Library Board
Portland District Library
Portland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portland District Library as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of Portland 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 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 Portland District Library as of June 30, 2007 and respective changes in financial position 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 3 through 8 and 22 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 opinions on the financial statements that collectively comprise Portland District Library's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Biggs, Hausserman, Thompson + Dickinson

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

November 5, 2007

Management's Discussion and Analysis

Portland District Library
Management's Discussion and Analysis
June 30, 2007

This section of the Portland District Library's annual financial report represents our discussion and analysis of the Library financial performance and is intended to assist the reader in focusing on significant financial issues, provide an overview of the Library's financial activity, identify changes in the Library's financial position and its ability to address the next and subsequent year challenges. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2007.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Portland 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 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 statements by providing information about the Library's most significant funds, the General Fund, Capital Projects Fund, and Debt Retirement Fund with all other funds presented in one column as nonmajor funds. The annual report is organized as follows:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Reporting the Library as a Whole - Government-wide Financial Statements

One of the most important questions asked about the Library is, "Is the Library as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Library's financial statements, report information on the Library as a whole and its activities in a way that helps you answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Portland District Library
Management's Discussion and Analysis
June 30, 2007

These two statements report the Library's net assets- the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the Library's financial health, or financial position. Over time, increases or decreases in the Library's net assets - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Library's operating results. However, the Library's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the information provided.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Library, which encompass all of the Library's services. Property taxes and State penal fines finance most of these activities.

Reporting the Library Most Significant Funds – Fund Financial Statements

The Library's fund financial statements provide detailed information about the most *significant funds* - not the Library as a whole. Some funds are required to be established by State law and by bond covenants. However, the Library establishes many other funds to help it control and manage money for particular purposes (like the Capital Projects Fund) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Library use the following accounting approach:

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

Portland District Library
Management's Discussion and Analysis
June 30, 2007

The Library as a Whole

The Statement of Net Assets provides the perspective of the Library as a whole. Table 1 provides a summary of the Library net assets as of June 30, 2007 and 2006:

Table 1:

	Net Assets	
	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 656,315	\$ 564,320
Capital assets	<u>3,789,188</u>	<u>3,851,847</u>
Total assets	<u>4,445,503</u>	<u>4,416,167</u>
Current and other liabilities	140,454	119,603
Long-term liabilities	<u>2,555,000</u>	<u>2,665,000</u>
Total liabilities	<u>2,695,454</u>	<u>2,784,603</u>
Net assets		
Invested in capital assets, net of related debt	1,124,188	1,091,847
Restricted debt service	78,949	91,012
Unrestricted	<u>546,912</u>	<u>448,705</u>
Total net assets	<u>\$ 1,750,049</u>	<u>\$ 1,631,564</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Library governmental activities is discussed below. The Library's net assets were \$1,750,049 at June 30, 2007. Invested in capital assets, net of related debt totaling \$1,124,188 compares the original cost, less depreciation of the Library capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approval property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Library's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$546,912, was unrestricted.

Portland District Library
Management's Discussion and Analysis
June 30, 2007

The \$546,912 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.

The results of this year's operations for the Library as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for fiscal year 2007 and 2006.

Statement of Activities Summary

TABLE 2

	Governmental Activities	
	2007	2006
Revenues		
Program revenues		
Charges for services	\$ 13,716	\$ 12,954
Grants and Catagoricals	9,845	14,715
General Revenues		
Property taxes	448,194	433,031
Penal fines	124,699	109,242
Other general revenues	34,017	58,890
Total revenues	<u>630,471</u>	<u>628,832</u>
Functions/Program Expenses		
Culture and recreation	407,000	404,947
Interest on long-term debt	104,986	107,104
Total expenses	<u>511,986</u>	<u>512,051</u>
Increase (decrease) in net assets	<u>\$ 118,485</u>	<u>\$ 116,781</u>

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$511,986. Certain activities were partially funded by those who benefited from service (\$13,716), governments and organizations that subsidized certain programs with grants and catagoricals (\$9,845). We paid for the remaining "public benefit" portion of our governmental activities with \$448,194 in taxes, \$124,699 in state penal fines, and with our other revenues, like interest and other revenues.

The Library experienced an increase in net assets of \$118,485.

As discussed above, the net cost shows the financial burden that was placed on the State and the Library taxpayers. Since property taxes for operations and penal fines constitute the vast majority of Library's operating revenue sources, the Library Board and Administration must annually evaluate the needs of the Library and balance those needs with anticipated available State unrestricted resources.

The Library Funds

As we noted earlier, the Library uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the Library is being accountable for the resources taxpayers and others provide to it but may also give you more insight into the Library overall financial health.

Portland District Library
 Management's Discussion and Analysis
 June 30, 2007

The Library Funds – (Continued)

As the Library completed this year; our governmental funds reported a combined fund balance of \$643,016, which is an increase of \$85,747 from last year.

The general fund's fund balance shows an increase of \$98,207. This is due to an excess of revenues over expenditures.

The debt service fund showed a decrease of approximately \$12,460. Millage rates are determined annually to ensure that the Library accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

The Uniform Budget Act requires that the Board approve the original budget for the upcoming year prior to July 1.

Over the course of the year, the Library's practice is to revise the budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure expenditures do not exceed appropriations.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the Library had \$3,789,186 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

Capital Assets at Year-end		<u>June 30</u>	
	<u>2007</u>	<u>2006</u>	
Land and Buildings	\$ 3,578,720	\$ 3,639,714	
Furniture and equipment	<u>210,466</u>	<u>212,133</u>	
Total capital assets	<u>\$ 3,789,186</u>	<u>\$ 3,851,847</u>	

Portland District Library
Management's Discussion and Analysis
June 30, 2007

Debt

At the end of this year, the Library had \$2,665,000 in bonds outstanding versus \$2,760,000 last year – a decrease of \$95,000. Those bonds consisted of:

	Outstanding Debt at Year-end	
	<u>June 30, 2007</u>	<u>June 30, 2006</u>
General obligation bonds	<u>\$ 2,665,000</u>	<u>\$ 2,760,000</u>

We present more detailed information about our long-term liabilities in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The library's main funding sources of operating property tax millage and state penal fines generally constitutes 90% of the revenue received by the library. This is not expected to change during the upcoming year.

Contacting the Library Financial Management

This financial report is designed to provide the Library's citizens, taxpayers, customers, and investors and creditors with a general overview of the Library finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Jan Mosser
Librarian
Portland District Library
334 Kent Street
Portland, MI 48875
(517) 647-6981

Government – Wide Financial Statements

Portland District Library
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 111,003
Investments	415,711
Due from other governments	129,601
Total current assets	656,315
Non current assets	
Capital assets	4,369,120
Less: accumulated depreciation	(579,932)
Net capital assets	3,789,188
Total assets	\$ 4,445,503
Liabilities	
Current liabilities	
Accounts payable	\$ 7,984
Accrued payroll and other liabilities	5,315
Accrued expense	17,155
Long-term liabilities due within one year	
Bonds payable- due within one year	110,000
Total current liabilities	140,454
Noncurrent Liabilities	
Bonds payable-due in more than one year	2,555,000
Total Liabilities	2,695,454
Net Assets	
Investment in capital assets- net of related debt	1,124,188
Restricted - debt service	78,949
Unrestricted	546,912
Total net assets	\$ 1,750,049

Portland District Library
Statement of Activities
June 30, 2007

Functions/Programs	Program Revenues			Governmental Activities
	Expenses	Charges for Service	Operating Grants/ Contributions	Net (Expenses) Revenues and Changes in Net Assets
Governmental activities:				
Culture and recreation	\$ 407,000	\$ 13,716	\$ 9,845	\$ (383,439)
Interest on long- term debt	104,986	0	0	(104,986)
Total governmental activities	\$ 511,986	\$ 13,716	\$ 9,845	(488,425)
General revenues:				
Taxes				
Property taxes, levied for general purpose				260,926
Property taxes, levied for debt service				187,268
Penal fines not restricted to specific purposes				124,699
Interest and investment earnings				16,150
Other				17,867
				606,910
				118,485
Changes in net assets				118,485
Net assets- beginning of year				1,631,564
Net assets-end of year				\$ 1,750,049

Fund Financial Statements

Portland District Library
Governmental Funds
Balance Sheet
June 30, 2007

	General Fund	Debt Fund	Total Governmental Funds
Assets			
Cash	\$ 14,899	\$ 96,104	\$ 111,003
Investments	415,711	0	415,711
Due from other governments	129,601	0	129,601
Total assets	\$ 560,211	\$ 96,104	\$ 656,315
Liabilities and fund equity			
Liabilities			
Accounts payable	\$ 7,984	\$ 0	\$ 7,984
Payroll taxes payable	5,315	0	5,315
Total liabilities	13,299	0	13,299
Fund Equity			
Fund balances			
Designated for debt retirement	0	96,104	96,104
Designated	385,511	0	385,511
Undesignated	161,401	0	161,401
Total fund equity	546,912	96,104	643,016
Total liabilities and fund equity	\$ 560,211	\$ 96,104	\$ 656,315

Portland District Library
Governmental Funds
 Reconciliation of Fund Balances of Governmental Funds to Net Assets
 June 30, 2007

Total Fund Balances- Governmental Funds	\$	643,016
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Amounts reported for governmental activities
 in the statement of net assets are different because:

Capital assets used in government activities are not
 financial resources, and are not reported in the funds

Capital assets cost:	\$	4,369,120	
Accumulated depreciation:		<u>(579,932)</u>	
Net Capital Assets			3,789,188

Long term and other liabilities are not due and payable
 in the current period and are not reported in the funds

Bonds Payable			(2,665,000)
Accrued Interest			<u>(17,155)</u>
Net assets of governmental activities			<u><u>\$ 1,750,049</u></u>

Portland District Library
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2007

	Major Funds		
	General	Debt Fund	Totals
Revenues			
Property Taxes	\$ 260,926	\$ 187,268	\$ 448,194
Penal fines	124,699	0	124,699
Grants	9,845	0	9,845
Interest	15,495	655	16,150
Miscellaneous	31,583	0	31,583
Total revenues	442,548	187,923	630,471
Expenditures			
Wages	174,200	0	174,200
Payroll taxes	13,601	0	13,601
Health insurance	5,997	0	5,997
Books	29,211	0	29,211
Periodicals	3,341	0	3,341
Supplies	4,517	0	4,517
Programs	3,043	0	3,043
Repairs and maintenance	20,353	0	20,353
Audio Visual	13,943	0	13,943
Computer Expense	13,326	0	13,326
Co-op fees	4,923	0	4,923
Insurance	7,947	0	7,947
Memberships and dues	540	0	540
Utilities	38,193	0	38,193
Professional services	7,065	0	7,065
Miscellaneous	4,141	0	4,141
Capital outlay	0	0	0
Debt Service			
Redemption of bonds/notes	0	95,000	95,000
Interest and fiscal charges	0	105,383	105,383
Total expenditures	344,341	200,383	544,724
Excess of revenues over (under) expenditures	98,207	(12,460)	85,747
Other financing sources (uses)			
Operating transfers in	0	0	0
Operating transfers out	0	0	0
Total other financing sources (Uses)	0	0	0
Excess (deficiency) of revenues over expenditures and other sources (uses)	98,207	(12,460)	85,747
Fund balances at beginning of year	448,705	108,564	557,269
Fund balances at end of year	\$ 546,912	\$ 96,104	\$ 643,016

Portland District Library
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to Statement of Activities
 Year Ended June 30, 2007

Net Change in Fund Balances- Total Governmental funds	\$	85,747
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds reported capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.</p>		
Depreciation Expense		(105,813)
Capital outlay		43,154
<p>Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid</p>		
		397
<p>Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)</p>		
		95,000
Change in Net Assets of Governmental Activities	\$	118,485

Portland District Library

Notes to Financial Statements

June 30, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Portland District Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

The Library is governed by an appointed Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Library's reporting entity, and which organizations are legally separate, component units of the Library. Based on the application of the criteria, the district does not contain any component units.

Governmental-Wide and Fund Financial Statements

The governmental-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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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. All the Library's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (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. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Portland District Library

Notes to Financial Statements

June 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental-Wide Statements – The governmental-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. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Based 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 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.

Property taxes, intergovernmental grants, 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 primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Portland District Library

Notes to Financial Statements

June 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Property Taxes

Property taxes and other revenues that are both measurable and available for use to finance operations are recorded as revenues when earned.

Properties are assessed as a December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

As part of the Ionia County Library Services contract, Ionia County levies the appropriate operating millage on a countywide basis. The County Treasurer is responsible for collecting the property taxes. The Treasurer will then remit the appropriate share to each library within the County, after settlement is made with the various taxing agencies within the County.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$1,000 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 market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Library does not have infrastructure type assets.

Buildings, equipments, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Furniture and other equipment	5-20 years

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

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.

Portland District Library
Notes to Financial Statements
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

Comparative Data/Reclassifications – Comparative data is not included in the Library’s financial statements.

Use of Estimates - The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Library to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds – The Library did not have significant expenditure budget variances.

Note 3 – Deposits and Investments

At year-end, the library deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and cash equivalents	\$ 111,002
Investments	415,711
Total	\$ 526,713

The breakdown between deposits and investments for the Library is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 111,002
Petty cash and cash on hand	415,711
Total	\$ 526,713

The deposits of the Library were reflected in the accounts of the Financial Institution at \$529,908, of which \$259,484 is covered by federal depository insurance. The remaining balance of \$270,424 was uninsured and uncollateralized.

Portland District Library
Notes to Financial Statements
June 30, 2007

Note 3 – Deposits and Investments (Continued)

State statutes and the Library's investment policy authorize the Library to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; the Library is allowed to invest in U.S. Treasury or Agency obligation, U.S. Government repurchases agreements, bankers' acceptances, commercial paper rated prime at the same time of purchases which mature not more than 270 days after the date of purchases, mutual funds and investment pools that are composed of authorized investment vehicles. The Library's deposits are in accordance with statutory authority.

Note 4 – Receivables

Receivables as of year-end for the library individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
Receivables:	
Intergovernmental	\$ 129,601

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The library had no deferred revenue at year-end.

Note 5 – Capital Assets

Capital asset activity of the library Governmental activities was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets being depreciated:				
Land And Buildings	\$ 3,708,838	\$ 0	\$ 0	\$ 3,708,838
Furniture and equipment	617,128	43,154	0	660,282
Subtotal	4,184,211	43,154	0	4,369,120
Accumulated depreciaton:				
Land And Buildings	69,124	60,993	0	130,117
Furniture and equipment	404,995	44,820	0	449,815
Subtotal	373,608	105,813	0	579,932
Net capital assets	\$ 3,810,603	\$ (62,659)	\$ 0	\$ 3,789,188

Portland District Library
Notes to Financial Statements
June 30, 2007

Note 5 – Capital Assets (Continued)

Depreciation expense of \$105,813 was charged to activities of the library.

Note 6– Long-Term Debt

Bonds, loan and contract payable at June 30, 2007 are comprised of the following:

General Obligation Bonds

Building and site bonds of 2,940,000 November 2004 due in annual installments of \$110,000 to \$225,000 through May, 2023; interest at 2.50% to 4.45%. \$ 2,665,000

The following is a summary of long-term transactions for the year ended June 30, 2007:

	Bonds Payable
Long-term debt payable at June 30, 2006	\$ 2,760,000
Additions	0
Deletions	<u>(95,000)</u>
Long-term debt payable at June 30, 2007	<u>\$ 2,665,000</u>

The annual requirements to amortize long-term debt outstanding as of June 30, 2007, including interest payments are as follows:

	Bonds Payable
2008	\$ 212,932
2009	220,182
2010	226,882
2011	227,918
2012	228,462
2013-2017	1,165,648
2018-2022	1,183,457
2023	<u>235,012</u>
Total	<u>\$ 3,700,493</u>

Note 7 – Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The Library has purchased commercial insurance for all risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Portland District Library
Notes to Financial Statements
June 30, 2007

Note 8 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Library believes such amounts, if any to be minimal.

The Library is involved in lawsuits from time to time. The ultimate outcome of any of these lawsuits cannot be presently determined; and the amount of damages, if any, cannot be determined at this time.

Note 9 – Fund Balance Designations

The following fund balance amounts have been designated:

General Fund - \$385,511 for subsequent year's operations.

Required Supplemental Information

Portland District Library
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 243,545	\$ 243,545	\$ 260,926	\$ 17,381
Penal fines	91,146	91,146	124,699	33,553
Grants	9,800	9,800	9,845	45
Interest	8,000	14,000	15,495	1,495
Miscellaneous	21,200	36,200	31,583	(4,617)
Total Revenues	373,691	394,691	442,548	47,857
Expenditures				
Wages	186,620	186,620	174,200	12,420
Payroll taxes	14,958	14,958	13,601	1,357
Health insurance	0	10,000	5,997	4,003
Books	35,000	35,000	29,211	5,789
Periodicals	4,500	4,500	3,341	1,159
Supplies	6,000	6,000	4,517	1,483
Programs	3,750	5,750	3,043	2,707
Repairs and maintenance	37,000	37,000	20,353	16,647
Audio Visual	14,000	14,000	13,943	57
Computer Expense	19,500	19,500	13,326	6,174
Co-op fees	4,750	4,750	4,923	(173)
Insurance	12,000	12,000	7,947	4,053
Memberships and dues	750	750	540	210
Utilities	42,600	42,600	38,193	4,407
Professional services	7,000	7,000	7,065	(65)
Miscellaneous	5,425	4,925	4,141	784
Total Expenditures	393,853	405,353	344,341	61,012
Excess of Revenue Over (Under) Expenditures	(20,162)	(10,662)	98,207	108,869
Other Financing Sources (Uses)				
Transfer to other funds	(10,000)	(10,000)	0	10,000
Total Other Financing Sources (Uses)	(10,000)	(10,000)	0	10,000
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (30,162)</u>	<u>\$ (20,662)</u>	98,207	<u>\$ 118,869</u>
Fund Balance, beginning of year			448,705	
Fund balance, end of year			<u>\$ 546,912</u>	

Other Supplemental Information

Portland District Library
Other Supplemental Information
Schedule of Bonded Debt
2003 Bonds
June 30, 2007

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2008	2.500%	\$ 110,000	\$ 51,466	\$ 51,466	\$ 212,932
2009	2.750%	120,000	50,091	50,091	220,182
2010	3.050%	130,000	48,441	48,441	226,882
2011	3.300%	135,000	46,459	46,459	227,918
2012	3.500%	140,000	44,231	44,231	228,462
2013	3.650%	145,000	41,781	41,781	228,562
2014	3.700%	155,000	39,135	39,135	233,270
2015	3.800%	160,000	36,268	36,268	232,536
2016	3.900%	170,000	33,227	33,227	236,454
2017	4.000%	175,000	29,913	29,913	234,826
2018	4.100%	185,000	26,412	26,413	237,825
2019	4.200%	190,000	22,620	22,620	235,240
2020	4.300%	200,000	18,630	18,630	237,260
2021	4.375%	210,000	14,330	14,330	238,660
2022	4.400%	215,000	9,736	9,736	234,472
2023	4.450%	225,000	5,006	5,006	235,012
	Total	<u>\$ 2,665,000</u>	<u>\$ 517,746</u>	<u>\$ 517,747</u>	<u>\$ 3,700,493</u>

Purpose - To erect, furnish and equip a library building addition.



November 5, 2007

To the Library Board
Portland District Library
Portland, Michigan

In planning and performing our audit of the financial statements of Portland District Library as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Portland District Library's internal control over financial reporting (internal control) 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 the Portland District Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Portland District Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated November 5, 2007 on the financial statements of Portland District Library. Our comments are summarized as follows:

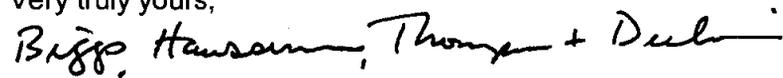
1. Withheld Retirement Funds sometimes accumulated beyond one month before being deposited into the employees' retirement accounts. IRS regulations now require retirement contributions to be deposited as soon as the amounts can be identified. Due to these stricter interpretations by the IRS, deposits should be made as soon as possible after the end of the month and by no means be allowed to accumulate beyond one month.
2. Health Insurance is now being provided to eligible employees of the Library. The cost of dependent insurance is withheld from the employees pay. Tax law allows health insurance payroll deductions to be free of taxes when a Section 125 plan is established. The Library should establish such a plan to reduce the employees' tax burden along with the Library's employment tax liability.
3. Debt Fund property taxes were not fully recorded in the Library's financial statements this year. The bookkeeper needs to be sure all revenues are properly recorded on a monthly basis and the Library should review each statement for comparability from year to year.
4. We noticed on instance where the proper audit trail was not maintained within the accounting records. An account balance at the beginning of a period did not agree with the account balance at the end of the previous period. This would indicate that a prior transaction was changed instead of making an adjusting journal entry to correct the transaction. Once a period is completed, journal entries should be used to correct any issues discovered in subsequent periods.

5. Recently, ten new auditing standards have been released and will become effective for your June 30, 2008 year end. The new standards will have an impact on our overall audit approach. Your internal controls will be emphasized with the new standards.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

We would like to express our appreciation for the cooperation extended to us by the Library officials during the course of the audit. It is a pleasure providing professional services to the Portland District Library.

Very truly yours,



BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

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