

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 Ionia Community Library	County Ionia
Fiscal Year End 6/30/2007	Opinion Date 1/29/2008	Date Audit Report Submitted to State 2/26/08	

We affirm that:

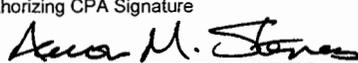
We are certified public accountants licensed to practice in Michigan.

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.)
- 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.
 - 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.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - 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.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - 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).
 - 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.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - 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 checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.	Telephone Number (517) 351-6836		
Street Address 3511 Coolidge Road, Suite 100	City East Lansing	State MI	Zip 48823
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA		License Number 1101024055

**Ionia Community Library
Ionia, Michigan**

FINANCIAL STATEMENTS

June 30, 2007

Ionia Community Library
Ionia, Michigan

June 30, 2007

BOARD OF TRUSTEES

Sally Wilcox	President
Gale Yeomans	Vice-President
Cathy Pearce	Treasurer
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Janet Powell	Member
Lucy Hughes	Member
Jon Caswell	Member
Marilee Buxton	Member

Ionia Community Library

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
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Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Ionia Community Library
Ionia, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Ionia Community 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 Ionia Community 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 opinions.

In our 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 Ionia Community Library as of June 30, 2007, 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, as 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 29, 2008

Ionia Community Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2007

Financial Reporting

The intent of standards set by the Governmental Accounting Standards Board (GASB) is to provide citizens, taxpayers, and library users with a better understanding of how the Ionia Community Library's (the "Library") money and other assets were managed. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Library's financial health.

The discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Library's financial statements, which will immediately follow this section.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$1,087,147 (net assets) at the government-wide level.
- The Library's total net assets decreased by \$151,829 at the government-wide level.
- Total governmental fund balance increased by \$50,715.

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 Ionia Community Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Library in more detail than the government-wide financial statements by providing information about the Library's operating fund.

Ionia Community Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2007

The Library as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2006 and 2007.

	<u>June 30</u>	
	2006	2007
Assets		
Current assets	\$ 476,018	\$ 558,421
Capital assets, net	<u>752,046</u>	<u>570,898</u>
Total assets	1,228,064	1,129,319
Liabilities		
Current liabilities	15,350	20,591
Noncurrent liabilities	<u>19,445</u>	<u>21,581</u>
Total liabilities	34,795	42,172
Net Assets		
Invested in capital assets	752,046	570,898
Restricted for capital projects	86,432	106,808
Unrestricted	<u>354,791</u>	<u>409,441</u>
Total net assets	<u>\$ 1,193,269</u>	<u>\$ 1,087,147</u>

The Library's total net assets were \$1,087,147 at June 30, 2007. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$409,441 at the end of the fiscal year. The net assets invested in capital assets were at \$570,898.

The following table shows the changes in net assets during the years ending June 30, 2006 and 2007.

	<u>June 30</u>	
	2006	2007
Revenues		
Program revenue:		
Charges for services	\$ 13,468	\$ 14,074
Operating grants and contributions	22,965	31,244
General revenue:		
Property taxes	305,585	330,027
State Aid - unrestricted	16,707	17,939
Penal Fines	154,335	194,122
Interest	<u>13,706</u>	<u>15,892</u>
Total revenues	526,766	603,298
Program Expenses		
Recreation and cultural	<u>\$ 513,727</u>	<u>755,127</u>
Change in Net Assets	<u>\$ 13,039</u>	<u>\$(151,829)</u>

Ionia Community Library
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 200

Governmental Activities

The Library's governmental revenues totaled \$603,298 with the greatest revenue source being property taxes. Property taxes make up approximately 55% of total governmental revenue. During the fiscal year ending June 30, 2006, Penal Fine income makes up approximately 32% of the Library's revenues.

The Library incurred expenses of \$755,127 during the year. The majority of governmental expense is associated with the staffing of the Library, which provides all library services to the public. Staffing expenses make up approximately 40% of total Library expenses during the fiscal year ending June 30, 2007. As a special purpose government, all of the governmental expenses incurred are associated with the library service function.

The Library's Fund

The analysis of the Library's major fund begins on page 3, following the government-wide financial statements. The Ionia Community Library's Board of Trustees may create funds to help manage money for specific purposes as well as to show accountability for certain activities. The Library's only fund for the fiscal year ended June 30, 2007 was the General Fund.

The General Fund pays for the Library's governmental services. The sole service provided during the fiscal year was library services, which incurred expenditures of \$525,899 for the fiscal year. Total General Fund expenditures increased by \$7,036 from the prior year.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Library Board made necessary budget adjustments to fund unanticipated expenditures during the year. There were only minor revenue and expenditure amendments done during the current year.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$570,898 invested in land, equipment, furniture, and materials (net of accumulated depreciation).

No debt was issued during the fiscal year. The Library had no indebtedness at June 30, 2007.

Next Year's Millage Rate

A twenty-year 1.0 operating millage was approved August 3, 1998. For fiscal year 2006/2007 the revenue was \$303,343 from the actual levy of .9452 mills. The projected revenue for the 2007/2008 fiscal year is \$311,397 from an actual levy of .9381 mills. The actual revenue may vary due to tax capture by the local Downtown Development Authority.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, and library users with a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Heidi Nagel, Library Director, 126 East Main Street, Ionia, MI 48846, (616) 527-3680, ionhn@llcoop.org.

BASIC FINANCIAL STATEMENTS

Ionia Community Library
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 386,779
Due from other governmental units	8,354
Investments	157,400
Prepaid expenses	5,888
Total current assets	558,421
Noncurrent assets	
Capital assets, net	570,898
TOTAL ASSETS	1,129,319
LIABILITIES	
Current	
Accounts payable	5,624
Accrued liabilities	6,203
Other accrued liabilities	6,366
Current portion of compensated absences	2,398
Total current liabilities	20,591
Noncurrent liabilities	
Noncurrent portion of compensated absences	21,581
TOTAL LIABILITIES	42,172
NET ASSETS	
Invested in capital assets	570,898
Restricted for capital projects	106,808
Unrestricted	409,441
TOTAL NET ASSETS	\$ 1,087,147

See accompanying notes to financial statements.

Ionia Community Library
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Recreation and cultural	\$ 755,127	\$ 14,074	\$ 31,244	\$ (709,809)
		General revenues:		
				330,027
				17,939
				194,122
				15,892
		TOTAL GENERAL REVENUES		557,980
				(151,829)
				1,238,976
				\$ 1,087,147

See accompanying notes to financial statements.

Ionia Community Library

GOVERNMENTAL FUND BALANCE SHEET

June 30, 2007

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 386,779
Due from other governmental units	8,354
Investments	157,400
Prepaid expenditures	<u>5,888</u>
TOTAL ASSETS	<u>\$ 558,421</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 5,624
Accrued liabilities	6,203
Other accrued liabilities	6,366
Deferred revenue	<u>330,783</u>
TOTAL LIABILITIES	348,976
FUND BALANCE	
Reserved for capital projects	106,808
Reserved for prepaid expenditures	5,888
Unreserved - undesignated	<u>96,749</u>
TOTAL FUND BALANCE	<u>209,445</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 558,421</u>

See accompanying notes to financial statements.

Ionia Community Library

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2007

Fund balance - governmental fund \$ 209,445

Amounts reported for the 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 as assets in the governmental funds.

The cost of capital assets is	\$ 824,365	
Accumulated depreciation is	<u>(253,467)</u>	

Capital assets, net		570,898
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Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Deferred revenue		330,783
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Long-term liabilities are not due and payable in the current period the funds. and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Compensated absences		<u>(23,979)</u>
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Net assets of governmental activities		<u>\$ 1,087,147</u>
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See accompanying notes to financial statements.

Ionia Community Library

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND

Year Ended June 30, 2007

	<u>General</u>
REVENUES	
Taxes	\$ 303,343
Charges for services	14,074
Intergovernmental	17,939
Fines and forfeits	194,122
Interest	15,892
Other	<u>31,244</u>
TOTAL REVENUES	576,614
EXPENDITURES	
Recreation and cultural	430,073
Capital outlay	<u>95,826</u>
TOTAL EXPENDITURES	<u>525,899</u>
EXCESS OF REVENUES OVER EXPENDITURES	50,715
Fund balance, beginning of year	<u>158,730</u>
Fund balance, end of year	<u><u>\$ 209,445</u></u>

See accompanying notes to financial statements.

Ionia Community Library

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Net change in fund balance - governmental fund **\$ 50,715**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	61,450	
Depreciation expense		<u>(54,344)</u>	
Excess of capital overlay over depreciation expense			7,106
Net effect of disposal of capital assets			(46,562)
Reclassification of construction in progress resulting from abandonment of building project			(187,399)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 26,684

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences		<u>(2,373)</u>	
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Change in net assets of governmental activities **\$ (151,829)**

See accompanying notes to financial statements.

Ionia Community Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under Public Act 24 of 1989, the City of Ionia, Ionia Public Schools, and the Townships of Easton and Ionia created the Ionia Community Library on July 1, 2004, which is considered a District Library. Public Act 24 defines the Library's legal status as "an Authority under Section 6 of Article IX of the State Constitution of 1963" thereby classifying the Library as a Michigan Municipal Corporation. The City and Townships collect and distribute property taxes that are levied by the Library. The Library has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the by-laws of the Library.

The governing body of the Library is a board, which is comprised of eight (8) members, two (2) each appointed by the City of Ionia, the Township of Easton, the Township of Ionia, and Ionia Public Schools. A Library Director is appointed by the board and is considered the executive officer of the Library.

The Ionia Community Library's goal is to provide materials and services, which will furnish opportunities for educational, informational, recreational, and cultural needs of the community.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present all financial activities of the Ionia Community Library. The Ionia Community Library has no activities that would be classified as component units.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the Government-wide statements) present information for the Library as a whole.

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

FUND FINANCIAL STATEMENTS

The General Fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of this fund present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

The major fund of the Library is:

- a. General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The Government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Library before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, state aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the Library receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

5. Budgets and Budgetary Accounting

The General Fund budget shown in the required supplementary information was prepared on a basis consistent with the basis used to reflect actual results. The Library employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The Library prepares the proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.

Ionia Community Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

- c. The budget is legally adopted at the total expenditure level and maintained at the account level.
- d. Budgeted amounts are reported as originally adopted or amended by the Library Board during the year.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of money market checking and savings accounts.

Investments consist of certificates of deposit with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

7. Property Taxes

Ionia County levies property taxes for the Library. As the Library tax is collected by the City and Township Treasurers, it is remitted to the County for distribution to various libraries within the County. At March 1 each year, the City and Townships settle their delinquent taxes with the County Treasurer and the unpaid real property tax is remitted to the various libraries by the County Treasurer. Delinquent personal property taxes are retained by the Treasurers for subsequent collection. The County is permitted by state statute to levy up to \$1 per \$1,000 of assessed valuation on property within the County on behalf of the Library. For the year ended June 30, 2007, the County levied .9452 mills.

8. Capital Assets

PRIMARY GOVERNMENT

Capital assets include building improvements, equipment, and collections and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are not recorded in the governmental fund. Instead, capital acquisition and construction are reflected as expenditures in the governmental fund and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Building improvements	20 years
Equipment and furniture	5 - 50 years
Collections	5 - 40 years

9. Deferred Revenue

Deferred revenue consists of property taxes for which there is an enforceable claim as of December 31, 2006, but which are levied to finance 2007 operations.

Ionia Community Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the Library has recorded all liabilities associated with compensated absences. Accumulated vested sick pay amounts and non-vested sick pay amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a liability in the government-wide financial statements.

11. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Ionia Community Library is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Ionia Community Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

As of June 30, 2007, the carrying amount and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ 178,308	\$ 185,956
Savings	208,471	208,471
Certificates of deposit	<u>155,974</u>	<u>159,405</u>
TOTAL	<u>\$ 542,753</u>	<u>\$ 555,832</u>

Deposits of the Library are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Library. As of June 30, 2007, the Library accounts were insured by the FDIC and NCUA for \$233,938 and the amount of \$321,894 was uninsured and uncollateralized.

Investments

As of June 30, 2007, the Library had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment Independent Financial and Insurance Services	<u>\$ 1,426</u>	<u>\$ 1,426</u>	N/A

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2007, the Library's investment in uncategorized pooled investments was not rated.

Interest rate risk

The Library has not adopted a policy that indicates how the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of credit risk

The Library has not adopted a policy that indicates how the Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Library has not adopted a policy that indicates how the Library will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

Due to significantly higher cash flow at certain periods during the year, the amount the Library held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Ionia Community Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Restated Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2007</u>
Capital Assets Not Being Depreciated				
Construction in progress	\$ 187,399	\$ -	\$(187,399)	\$ -0-
Land	<u>111,914</u>	<u>-</u>	<u>-</u>	<u>111,914</u>
Subtotal	299,313	-0-	(187,399)	111,914
Capital Assets Being Depreciated				
Building improvements	96,346	-	-	96,346
Collections	554,315	50,906	(49,888)	555,333
Furniture and equipment	<u>50,228</u>	<u>10,544</u>	<u>-</u>	<u>60,772</u>
Subtotal	700,889	61,450	(49,888)	712,451
Less Accumulated Depreciation				
Building improvements	(40,194)	(5,401)	-	(45,595)
Collections	(144,328)	(38,265)	3,326	(179,267)
Furniture and equipment	<u>(17,927)</u>	<u>(10,678)</u>	<u>-</u>	<u>(28,605)</u>
Subtotal	<u>(202,449)</u>	<u>(54,344)</u>	<u>3,326</u>	<u>(253,467)</u>
Net Capital Assets Being Depreciated	<u>498,440</u>	<u>7,106</u>	<u>(46,562)</u>	<u>458,984</u>
Total Net Capital Assets	<u>\$ 797,753</u>	<u>\$ 7,106</u>	<u>\$(233,961)</u>	<u>\$ 570,898</u>

NOTE D: COMPENSATED ABSENCES

The following is a summary of changes in compensated absences (including current portions) of the Library for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 21,606	\$ 7,901	\$ 5,528	\$ 23,979	\$ 2,398

Significant details regarding compensated absences (including current portions) are presented below:

Compensated Absences

In accordance with Library personnel policies, individual employees have rights upon termination of employment to receive payment for unused sick leave under the formulas and conditions specified in the personnel policies. The dollar amount of these rights (vested and probable to vest) including related payroll taxes amounted to \$23,979 for compensated absences at June 30, 2007. This amount has been recorded in the government-wide financial statements.

Ionia Community Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE E: RISK MANAGEMENT

The Library participates in a pool, the Michigan Municipal League Liability and Property Pool, with other municipalities for property, casualty, automobiles, crime, employee benefit, and public official losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Library has not been informed of any special assessments being required.

The Library participates in a pool, the Michigan Municipal League Workers Compensation Fund, with other municipalities for workers compensation losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Library has not been informed of any special assessments being required.

NOTE F: RETIREMENT PLAN

Plan Description

The Library participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Library. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Library Board. The Library contributes all amounts necessary to fund the system.

Annual Pension Cost

For the year ended June 30, 2007, the Library's annual pension cost of \$22,126 for the plan was equal to the Library's required and actual contribution. The estimated annual required contribution was determined as part of the annual actuarial valuation at October 1, 2005, using the entry actual age cost method. Actual required contributions are based on current monthly payroll times an actuarially computed employer contribution rate. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, and (c) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a 30 year period on a closed basis.

	As of <u>September 30, 2004</u>	As of December 31, <u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ -	\$ 165,476	\$ 194,487
Actuarial accrued liability (AAL)	268,066	301,955	335,723
Unfunded AAL	268,066	136,479	141,226
Funded ratio	0 %	55 %	58 %
Covered payroll	146,301	149,179	153,430
UAAL as a percentage of covered payroll	15.83 %	91 %	92 %

Ionia Community Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE F: RETIREMENT PLAN - CONTINUED

Annual Pension Cost - continued

	Year Ended June 30,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 28,278	\$ 23,838	\$ 22,126
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-0-	-0-	-0-

The Ionia Community Library also has a 457, single employer defined contribution plan, available to all full-time employees. The defined contribution plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under the defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and the forfeitures of other participant's account. All full-time employees of the Library are eligible to participate.

The plan allows each employee to determine his/her own contribution, up to 100% of his/her salary according to current provisions of the Internal Revenue Service Code. The Library matches up to 3% of employees contributions. Employee and employer contributions are paid to the plan on each payroll date (bi-weekly) and for the year ending June 30, 2007, employer contributions to the plan were \$4,248.

NOTE G: FUND EQUITY RESERVES

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are fund balance reservations as of June 30, 2007:

General Fund	
Reserved for capital projects	\$ 106,808
Reserved for prepaid expenditures	<u>5,888</u>
	<u>\$ 112,696</u>

NOTE H: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2007:

Governmental activities	
Restricted for capital projects	<u>\$ 106,808</u>

NOTE I: RESTATEMENT OF NET ASSETS

The Library has retroactively adjusted capital asset balances net of accumulated depreciation to reflect corrections of overstated balances. Net assets as of June 30, 2006 were \$1,193,269. The adjustment of \$45,707 results in restated net assets as of June 30, 2006 of \$1,238,976.

REQUIRED SUPPLEMENTARY INFORMATION

Ionia Community Library

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 311,397	\$ 303,343	\$ 303,343	\$ -0-
Library fees	13,640	13,957	14,074	117
Intergovernmental				
State aid	15,272	9,585	17,939	8,354
Penal fines	156,293	194,122	194,122	-0-
Interest	10,000	16,027	15,892	(135)
Other				
Donations	3,000	29,064	31,244	2,180
TOTAL REVENUES	509,602	566,098	576,614	10,516
EXPENDITURES				
Recreation and cultural				
Salaries and wages	216,538	218,748	217,828	920
Payroll taxes and fringe benefits	80,235	79,467	82,267	(2,800)
Utilities	11,000	14,000	13,764	236
Supplies	3,750	6,000	8,341	(2,341)
Communications	7,800	10,140	9,949	191
Advertising	10,000	10,100	12,755	(2,655)
Repairs and maintenance	27,200	33,322	33,114	208
Insurance	5,579	5,649	5,649	-0-
Contractual services	20,000	17,680	19,183	(1,503)
Travel and training	4,000	4,000	3,694	306
Dues and memberships	8,675	8,572	9,344	(772)
Fundraising	-	6,146	6,146	-0-
Programming	5,000	5,000	5,393	(393)
Miscellaneous	4,000	2,500	2,646	(146)
Total recreation and cultural	403,777	421,324	430,073	(8,749)
Capital outlay				
Books and other materials	37,247	54,592	52,517	2,075
Equipment	29,000	13,533	13,533	-0-
Consulting	43,255	50,449	29,776	20,673
Total capital outlay	109,502	118,574	95,826	22,748
TOTAL EXPENDITURES	513,279	539,898	525,899	13,999
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,677)	26,200	50,715	24,515
Fund balance, beginning of year	158,730	158,730	158,730	-0-
Fund balance, end of year	\$ 155,053	\$ 184,930	\$ 209,445	\$ 24,515

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Members of the Board of Trustees
Ionia Community Library
Ionia, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Ionia Community Library as of and for the year ended June 30, 2007, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated January 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America 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 controls. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

Effective for all audits of fiscal years ending December 31, 2006 and after, Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. The Library contracts with an accounting firm to provide monthly financial reporting at the fund level and the annual financial statements for the year ended June 30, 2007 for the Ionia Community Library required relatively few adjustments. The staff at the Ionia Community Library understands all of the information included in the financial statements, and as such are able to take responsibility for the content. However, the presentation of financial statements in accordance with generally accepted accounting principles also includes the preparation of government-wide financial statements and note disclosures. Currently the government-wide financial statements and note disclosures are prepared during the audit process. We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time.

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 Library's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following other matter required to be reported:

AMENDMENTS TO INVESTMENT POLICY

During the course of our audit and through discussions with management, it was noted that the Library has not amended their investment policy to address the various types of investment risk as described in GASB Statement No. 40. The notes to the financial statements disclose the fact that policies to address such risks do not exist. This issue had been noted and reported in our audit comments last year.

Deposit resources often represent significant assets of the Library's governmental fund. These resources are necessary for the delivery of the Library's services and programs. Effective for the year ended June 30, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and risks that could affect the Library's ability to provide services and meet its obligations as they become due.

We recommend the Library review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. When they exist, such policies are required to be disclosed in the notes to the Library's financial statements by GASB Statement No. 40.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 29, 2008