# CITY OF MORENCI
# STAIR PUBLIC LIBRARY

## LENAWEE COUNTY, MICHIGAN

## ANNUAL FINANCIAL REPORT

## JUNE 30, 2006

Michigan Department of Treasury
496 (02/06)

# 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 | Local Unit Name | County |
|---|---|---|
| ☐County ☐City ☐Twp ☐Village ☒Other | CITY MORENCI-STAIR PUBLIC LIBRARY | LENAWEE |

| Fiscal Year End | Opinion Date | Date Audit Report Submitted to State |
|---|---|---|
| JUNE 30, 2006 | DECEMBER 28, 2006 | JANUARY 10, 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 | ☒ | |
| The letter of Comments and Recommendations | ☒ | |
| Other (Describe) | ☐ | |

| Certified Public Accountant (Firm Name) | Telephone Number | | |
|---|---|---|---|
| PHILIP R. RUBLEY, CPA | 517-458-2274 | | |
| Street Address | City | State | Zip |
| 133 W. MAIN STREET | MORENCI | MI | 49256 |
| Authorizing CPA Signature | Printed Name | License Number | |
| | PHILIP R. RUBLEY | 9223 | |

**CITY OF MORENCI**
**STAIR PUBLIC LIBRARY**
**ANNUAL FINANCIAL REPORT**
**FOR THE YEAR ENDED JUNE 30, 2006**

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## Using This Annual Report

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of City of Morenci - Stair Public Library government-wide basis. They are designed to present a longer-term view of the Library's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide financial statements.

## Overview Of The Financial Statements

The Library's basic financial statements are comprised of two components:

A) Government-wide financial statements.

B) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The Library maintains 2 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and Friends of Stair Public Library, the general considered to be major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Library include general government. There are no business-type activities for the Library at June 30, 2006.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library can be divided into one category, governmental funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

## Other Information

The Library has reported under required supplementation information, information about the General Fund.

## The Library As A Whole

The Library's net assets for the year ended June 30, 2006 increased by 1.9% over the prior year, and management feels that even though the economic conditions have been slightly depressed, that the Library is fiscally able to continue to provide necessary services.

The governmental activities reflect net assets of $499,219.

The largest portion of the Library's net assets (77 percent) reflects its investment in capital assets (e.g. land, buildings and equipment). The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

## STAIR PUBLIC LIBRARY
## STATEMENT OF ACTIVITIES

| | Governmental Activities |
|---|---|
| | **2006** |
| **Revenue** | |
| Program Revenue: | |
| Charges for Services | $ 2,368 |
| General Revenue: | |
| Transfer from City of Morenci | --- |
| Grants and Contributions Not Restricted to Specific Program | 39,189 |
| Interest Income | 1,499 |
| **Total Revenue** | 43,056 |
| **Expenses** | |
| General Government: | |
| Library | 42,102 |
| **Total Expenses** | 42,102 |
| **Increase In Net Assets** | 954 |
| **Net Assets Beginning of Year** | 498,265 |
| **Net Assets End of Year** | $ 499,219 |

**STAIR PUBLIC LIBRARY**
**STATEMENT OF NET ASSETS**

| | Governmental Activities 2006 |
|---|---|
| **Assets** | |
| Current and Other Assets | $112,389 |
| Capital Assets | 386,830 |
| **Total Assets** | 499,219 |
| **Liabilities** | |
| Other Liabilities | --- |
| **Total Liabilities** | --- |
| **Net Assets** | |
| Invested in Capital Assets, Net of Related Debt | 386,830 |
| Unrestricted | 112,389 |
| **Total Net Assets** | $499,219 |

## Government Activities

Government activities increased the Library's net assets by $954.

## The Library's Funds

Our analysis of the Library's funds begins on Page 8, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Library as a whole. The Library Board and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, etc.

## General Fund Budgetary Highlights

Presently the Library is not preparing a budget.

## Capital Assets

The Library's investment in capital assets for its governmental activities as of June 30, 2006, amounted to $386,830 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment.

## Contacting The Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to show 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 the Library's Office at 228 W. Main St., Morenci, Michigan 49256.

# PHILIP R. RUBLEY

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S


**December 28, 2006**

**City of Morenci**
**Stair Public Library**
**Board of Directors**
**228 W. Main St.**
**Morenci, Michigan 49256**

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Morenci - Stair Public Library as of and for the year ended June 30, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Morenci - Stair Public Library, management. Our responsibility is to express opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Morenci - Stair Public Library, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6, 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.

**City of Morenci**
**Stair Public Library**
**December 28, 2006**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morenci - Stair Public Library basic financial statements.

**Respectfully Submitted,**

**Philip R. Rubley, CPA**

PRR/cab

**CITY OF MORENCI**
**STAIR PUBLIC LIBRARY**
**Government-wide Statement of Net Assets**
**June 30, 2006**

| | Governmental Activities |
|---|---|
| **Assets** | |
| Cash and Equivalents | $112,209 |
| Interest Receivable | 180 |
| Capital Assets Not Being Depreciated | 1,000 |
| Capital Assets Being Depreciated - Net | 385,830 |
| **Total Assets** | 499,219 |
| **Net Assets** | |
| Invested In Capital Assets, Net of Related Debt | 385,830 |
| Unrestricted | 113,389 |
| **Total Net Assets** | $499,219 |

**The notes to financial statements are an integral part of this statement.**

**CITY OF MORENCI**
**STAIR PUBLIC LIBRARY**
**Government-wide Statement of Activities**
**For The Year Ended June 30, 2006**

| Functions/Programs | Expenses | Charges For Services | Operating Grants And Contributions | Net (Expenses) Revenues |
|---|---|---|---|---|
| **Primary Government** | | | | |
| **Governmental Activities:** | | | | |
| Library | $42,102 | $2,368 | $17,210 | $ (22,524) |
| **Total Governmental Activities** | 42,102 | 2,368 | 17,210 | (22,524) |
| General Revenues: | | | | |
| Transfer from City of Morenci | | | | --- |
| Grants and Contributions Not Restricted To Specific Programs | | | | 20,666 |
| Earnings | | | | 2,812 |
| **Total General Revenues, Contributions and Transfers** | | | | 23,478 |
| **Change In Net Assets** | | | | 954 |
| **Net Assets, Beginning of Year** | | | | 498,265 |
| **Net Assets, End of Year** | | | | $ 499,219 |

**The notes to financial statements are an integral part of this statement.**

CITY OF MORENCI
STAIR PUBLIC LIBRARY
Governmental Funds
Balance Sheet
June 30, 2006

| | General Fund | Friends of Stair Public Library | Total Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Cash Equivalents | $108,256 | $3,953 | $112,209 |
| Inventory at Nominal Value | 29,487 | --- | 29,487 |
| Interest Receivable | 180 | --- | 180 |
| **Total Assets** | $137,923 | $3,953 | $141,876 |
| **FUND BALANCES** | | | |
| Unreserved | $137,923 | $ 3,953 | $141,876 |
| **Total Fund Balances** | 137,923 | 3,953 | 141,876 |
| **Total Liabilities and Fund Balances** | $137,923 | $3,953 | $141,876 |

The notes to financial statements are an integral part of this statement.

**CITY OF MORENCI**
**STAIR PUBLIC LIBRARY**
**Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds**
**to Net Assets of Governmental Activities on the Statement of Net Assets**
**June 30, 2006**

| | | |
|---|---|---|
| **Fund Balances – Total Governmental Funds** | | $ 141,876 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| **Add:** | Capital Assets | 748,325 |
| **Deduct:** | Accumulated Depreciation | (361,495) |
| **Deduct:** | Inventory at nominal value included on the statement of net assets as part of the capital assets | (29,487) |
| **Net Assets of Governmental Activities** | | $ 499,219 |

**The notes to financial statements are an integral part of this statement.**

**CITY OF MORENCI**
**STAIR PUBLIC LIBRARY**
**Governmental Funds**
**Statement of Revenue, Expenditures, and Changes in Fund Balances**
**For The Year Ended June 30, 2006**

| | General Fund | Friends of Stair Public Library | Total Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Intergovernmental | $ 20,666 | $ --- | $ 20,666 |
| Other | 1,552 | 816 | 2,368 |
| Interest | 1,488 | 11 | 1,499 |
| Contributions | 18,523 | --- | 18,523 |
| Transfer In - City of Morenci | --- | --- | --- |
| **Total Revenue** | 42,229 | 827 | 43,056 |
| **EXPENDITURES** | | | |
| Current: | | | |
| Library | 20,149 | 370 | 20,519 |
| Capital Outlay | --- | --- | --- |
| **Total Expenditures** | 20,149 | 370 | 20,519 |
| **Excess of Revenue Over (Under) Expenditures** | 22,080 | 457 | 22,537 |
| **Fund Balances – Beginning of Year** | 115,843 | 3,496 | 119,339 |
| **Fund Balances – End of Year** | $137,923 | $3,953 | $141,876 |

**The notes to financial statements are an integral part of this statement.**

**CITY OF MORENCI**
**STAIR PUBLIC LIBRARY**
**Reconciliation of the Statement of Revenues, Expenditures, and**
**Changes in Fund Balances of Governmental Funds to the Statement ff Activities**
**June 30, 2006**

| | | |
|---|---|---|
| **Net Change In Fund Balances – Total Governmental Funds** | | $ 22,537 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| **Add:** | Capital Outlay | --- |
| **Deduct:** | Depreciation Expense | (21,274) |
| **Deduct:** | Inventory reflected in capital acquisitions in current year part of capital assets | (309) |
| **Change In Net Assets Of Governmental Activities** | | $ 954 |

**The notes to financial statements are an integral part of this statement.**

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Morenci - Stair Public Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

### A. Reporting Entity

City of Morenci - Stair Public Library is governed by a Board of Directors. The accompanying financial statements present the government for which government is considered to be financially accountable.

### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The 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 or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Separate financial statements are provided for governmental funds.

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

**Friends of Stair Public Library** is a Special Revenue Fund that receives donations, etc. for the purpose of supporting the Library.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue.

### D. Estimates

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

### E. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment –** Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

   State statues authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables –** In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. **Prepaid Items –** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

4. **Inventories –** All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. **Capital Assets –** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

   Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

   Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Building | 25 - 50 |
| Machinery, Equipment, And Furnishings | 5 - 15 |

6. **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.

## NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. **Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. Presently no detail budgets have been prepared.

   On or before the end of May of each year, the Council presents the proposed budget for review and holds public hearings and a final budget is adopted.

   The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Library Board.

B. **Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2006, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

| | Amended Budget | Actual | Variance |
|---|---|---|---|
| General Fund: | | | |
| General Government: | | | |
| Library | $ --- | $20,149 | $20,149 |
| Friends of Stair Library: | | | |
| Library | --- | 370 | 370 |

## NOTE 3 – DEPOSITS AND INVESTMENTS

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

Investments made by the Library are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

**Category 1:** Insured or registered, or securities held by the Library or its agent in the Library's name.

**Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Library's name.

**Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Library's name.

| | Category 1 | 2 | 3 | Carrying Value | Market Value |
|---|---|---|---|---|---|
| Checking and Saving Acct. | $112,209 | $ --- | $ --- | $112,209 | $112,209 |
| | $112,209 | $ --- | $ --- | $112,209 | $112,209 |

**Balance Sheet Cash And Cash Investments**

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Library's deposits are as follows:

| Deposits | Carrying Amount |
|---|---|
| Insured (FDIC) (FSLIC) | $112,209 |
| Uninsured: | |
| Uncollateralized | --- |
| **Total** | $112,209 |

## NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Other | $ 1,000 | $ --- | $ --- | $ 1,000 |
| | 1,000 | --- | --- | 1,000 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings | 432,189 | --- | --- | 432,189 |
| Equipment | 124,367 | --- | --- | 124,367 |
| Library Materials | 190,769 | --- | --- | 190,769 |
| **Total Capital Assets Being Depreciated** | 747,325 | --- | --- | 747,325 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | (108,217) | (10,357) | --- | (118,574) |
| Equipment | (109,546) | (2,149) | --- | (111,695) |
| Library Materials | (122,458) | (8,768) | --- | (131,226) |
| **Total Accumulated Depreciation** | (340,221) | (21,274) | --- | (361,495) |
| **Total Capital Assets, Being Depreciated, Net** | 407,104 | (21,274) | --- | 385,830 |
| **Governmental Activities Capital Assets, Net** | $ 408,104 | $(21,274) | $ --- | $ 386,830 |

Depreciation expense was charged to functions/programs of the Library as follows:

| | |
|---|---|
| **Governmental Activities:** | |
| General Government: | |
| Library | $21,274 |
| **Total Depreciation Expense Governmental Activities** | $21,274 |

## NOTE 5 – OTHER INFORMATION

### Risk Management

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

CITY OF MORENCI
STAIR PUBLIC LIBRARY
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2006

| | Original Budget | Amended Budget | Actual | Variance With Amended Budget |
|---|---|---|---|---|
| **Beginning of Year Fund Balance** | | | | |
| **Resources (Inflows)** | $115,843 | $115,843 | $115,843 | $ --- |
| Intergovernmental | --- | --- | 20,666 | 20,666 |
| Interest | --- | --- | 1,488 | 1,488 |
| Other | --- | --- | 1,552 | 1,552 |
| Contributions | --- | --- | 18,523 | 18,523 |
| Transfer In - City of Morenci | --- | --- | --- | --- |
| **Amounts Available for Appropriation** | 115,843 | 115,843 | 158,072 | 42,229 |
| **Charges to Appropriations (Outflows)** | | | | |
| **General Government** | | | | |
| **Library** | | | | |
| Books Purchases, Magazines & Periodicals | --- | --- | 8,782 | (8,782) |
| Office Supplies | --- | --- | 1,014 | (1,014) |
| Postage | --- | --- | 284 | (284) |
| Telephone | --- | --- | 1,074 | (1,074) |
| Repairs & Maintenance | --- | --- | 912 | (912) |
| Micro & Supplies | --- | --- | 2,106 | (2,106) |
| Other | --- | --- | 5,977 | (5,977) |
| Capital Outlay | --- | --- | --- | --- |
| **Total Charges to Appropriations** | --- | --- | 20,149 | (20,149) |
| **Ending of Year Fund Balance** | $115,843 | $115,843 | $137,923 | $ 22,080 |

The notes to financial statements are an integral part of this statement.

# PHILIP R. RUBLEY

*– Certified Public Accountant –*

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S


**December 28, 2006**

**City of Morenci**
**Stair Public Library**
**Board of Directors**
**228 W. Main St.**
**Morenci, Michigan 49256**

We have examined the combined financial statements of the City of Morenci - Stair Public Library as of and for the year ended June 30, 2006, and have issued our report thereon dated December 28, 2006. As a part of our examination, we made a study and evaluation of the Library's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Library's system of internal accounting control for the year ended June 30, 2006, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

1. **BUDGET**
   A budget of line items should be prepared with adjustments shown separate from original budget to reflect an amended budget which is used as the board's guide to spending, etc.

**City of Morenci**
**Stair Public Library**
**December 28, 2006**

2. **General Ledger – Chart of Accounts**
   The Library needs to comply with the updated Chart of Accounts and general ledger.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated December 28, 2006, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

**Respectfully Submitted,**

**Philip R. Rubley, CPA**

PRR/cab