

Newaygo Area District Library
Newaygo, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

December 31, 2007

Newaygo Area District Library

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Brief Discussion of the Basic Financial Statements

This report consists of three parts – *management's discussion and analysis* (this section), *the basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These financial statements focus on current resources and provide a detailed view about the Library's sources and uses of funds.
- The "Adjustments" column of the financial statements represents adjustments necessary to convert the modified accrual statements to the government-wide financial statements under the full accrual method.
- The third column provides both long-term and short-term information about the Library's overall financial status. The "Statement of Net Assets" and the "Statement of Activities provide information about the activities of the Library as a whole and present a longer term view of the Library's finances.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Condensed Financial Information

A. Statement of Net Assets

Current assets increased by \$4,821 due to increased grant income and the use of a reserve fund to pay one quarter of Lakeland Library Cooperative costs. Capital assets increased due to additions to the collection. These additions were funded primarily by grants. Funds invested in capital assets include the Library's collections of materials as well as its fixed assets, minus accumulated depreciation. These capital assets are not readily available for the payment of bills. Unrestricted net assets are not restricted and are available for operating expenditures.

Newaygo Area District Library

Library Management's Discussion and Analysis

Condensed Statement of Net Assets

	<u>2007</u>	<u>2006</u>
Current assets and other assets	\$ 174,581	\$ 169,760
Capital assets	<u>130,030</u>	<u>121,498</u>
Total assets	304,611	291,258
Current liabilities	<u>39,936</u>	<u>24,954</u>
Net assets		
Invested in capital assets	130,030	121,498
Unrestricted	<u>134,645</u>	<u>144,806</u>
Total net assets	<u>\$ 264,675</u>	<u>\$ 266,304</u>

Analysis and Discussion

- Current assets include cash, grant funding, and investments.
- Capital assets consist of the Library's collections of materials and furnishings, minus depreciation.
- Current liabilities primarily include revenue that was received from the Fremont Area Community Foundation, but unspent at the end of the year. Adjusting for these liabilities accounts for the slight decrease in total net assets.

B. Statement of Activities

The table below shows key financial information under the full accrual method in a condensed format. Amounts and totals reported are for all Library activities, including general operations, improvements, and gift activity in order to give a complete picture.

Condensed Statement of Activities

	<u>2007</u>	<u>2006</u>
General revenues		
Intergovernmental revenue—state	\$ 8,113	\$ 7,417
Intergovernmental revenue—local	82,517	77,231
Charges for services	1,875	-
Fines and forfeitures	34,522	41,820
Investment earnings	6,933	6,432
Contributions	72,224	49,045
Other	<u>702</u>	<u>209</u>
Total revenues	206,886	182,154

Newaygo Area District Library

Library Management's Discussion and Analysis

	<u>2007</u>	<u>2006</u>
Expenditures		
Salaries and wages	\$ 100,175	\$ 84,654
Fringe benefits	7,655	14,936
Operating supplies	16,646	16,252
Repairs and maintenance	3,744	3,779
Professional services	22,259	12,320
Utilities	4,742	4,673
Insurance	1,273	1,109
Dues and fees	377	250
Contracted services	18,157	34,474
Telephone	2,047	2,516
Other	1,893	1,175
Depreciation	<u>29,547</u>	<u>30,390</u>
Total expenses	<u>208,515</u>	<u>206,528</u>
Change in net assets	(1,629)	(24,374)
Net assets at beginning of year	<u>266,304</u>	<u>290,678</u>
Net assets at end of year	<u>\$ 264,675</u>	<u>\$ 266,304</u>

Analysis and Discussion

1. Revenues

- The 2007 total revenue figure is significantly higher when compared to 2006. This increase is due primarily to higher grant income (contributions) and greater local intergovernmental revenues, which offset a decrease in penal fines.
- The primary sources of revenue for this period were state and local intergovernmental revenues, which accounted for 44% of the total revenues. Revenue from capital grants and contributions accounted for another 35% of the budget.
- Local intergovernmental revenues consist primarily of monies received from the local governmental entities included in the district agreement for library services.
- Contributions included a number of grants from the Fremont Area Community Foundation, a grant from the United Way, and several gifts from private donors.

Library Management's Discussion and Analysis

2. Expenditures

- The total expenditure figure for 2007 is comparable to 2006. An increase in salary and wages in 2007 (due to a change in leadership at the library) was partially offset by a decrease from 2006 to 2007 in unemployment compensation payments.
- Because of the service nature of libraries, salaries and fringe benefits are a significant expenditure for the Library, representing 52% of the Library's total expenditures.
- Professional and contracted services accounted for 19% of expenditures. This unusually high percentage was related to exploratory work done on a downtown site for a new building and legal expenses incurred in placing a millage proposal on the November ballot.
- Depreciation expense decreased slightly in 2007.

The Library's Fund

The analysis of the Library's major fund is included on pages 2 and 3. These pages show the General Fund, the Library's only fund. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages.

The fund balance of the General Fund decreased during the current year by \$11,677. This was due primarily to legal and administrative costs associated with placing a millage proposal on the November 2007 ballot. Another factor was a change in leadership midway through this period and increased expenses related to administrative staffing.

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to address unplanned needs and events that occurred during this time. The more significant adjustments are listed below.

A. Revenues

- State intergovernmental revenues were increased to account for a slight rise in state funding during this period.
- Fines and forfeitures were reduced to reflect the decrease in fines levied to the county and appropriated to the Library. This appropriation fluctuates from year to year.
- Contributions were increased to reflect several new one-time grants awarded to the Library during this period.

Newaygo Area District Library

Library Management's Discussion and Analysis

B. Expenditures

- The budget for professional services was significantly increased to account for expenses related to exploratory work done on a downtown site for a new building and legal expenses incurred in placing a millage proposal on the November ballot.
- The budget for library materials was increased to account for additional grants received for the purchase of new items for the collection.

C. Budget to Actual

- Actual expenditures for contracted services are significantly over budget because the budgeted total did not include fourth quarter fees due to the Lakeland Library Cooperative. These fees were paid with Library reserve funds held at the Cooperative.
- Actual revenues were 9% under budget, which was due in large part to the fact that grants are not booked as revenue until used for expenditures.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$130,030 invested in furniture, equipment, books and materials, net of depreciation. The Library added \$38,079 in new collection items consisting of new books and various audio/visual materials.

Next Year's Anticipated Budget Factors and Currently Known Facts

- A. Budget – Expenditures related to salaries and fringe benefits are expected to stabilize in 2008. The Library will continue to be dependent upon grant funding for new collection materials and improvements to the building. In addition, the Library will continue to draw on its reserves to meet operating costs.
- B. Property Tax Millage – The Library will not present a proposal for increased operational funding late in 2008 and will not incur the costs associated with a ballot proposal. These savings, however, may be offset by legal costs for revising/renewing the District Library Agreement, which is due to expire at the end of 2008.

Contacting the Library's Financial Management

This financial report is designed to provide a general overview of the Library's finances for all those interested in the Library's finances. If you have any questions about this report or need additional information, contact the Newaygo Area District Library Director, 44 North State Road, Newaygo, MI 49337-8127.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

June 25, 2008

Board of Directors
Newaygo Area District Library
Newaygo, Michigan

We have audited the accompanying financial statements of the Newaygo Area District Library as of and for the year ended December 31, 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 Newaygo Area District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 financial position of the Newaygo Area District Library as of December 31, 2007 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - v and 11 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.



Newygo Area District Library
BALANCE SHEET—STATEMENT OF NET ASSETS
 December 31, 2007

	<u>Balance Sheet - Modified accrual</u>	<u>Adjustments</u>	<u>Statement of Net Assets - Full accrual</u>
ASSETS			
Cash and cash equivalents	\$ 155,695	\$ -	\$ 155,695
Grant receivable	16,006	-	16,006
Prepaid items	2,880	-	2,880
Capital assets, net of depreciation			
Depreciable	<u>-</u>	<u>130,030</u>	<u>130,030</u>
Total assets	<u>\$ 174,581</u>	130,030	304,611
LIABILITIES			
Accounts payable	\$ 1,775	-	1,775
Accrued liabilities	7,430	-	7,430
Deferred revenue	<u>34,743</u>	<u>(4,012)</u>	<u>30,731</u>
Total liabilities	43,948	(4,012)	39,936
FUND BALANCE			
Unreserved	<u>130,633</u>	<u>(130,633)</u>	<u>-</u>
Total fund balance	<u>130,633</u>	<u>(130,633)</u>	-
Total liabilities and fund balance	<u>\$ 174,581</u>		
NET ASSETS			
Invested in capital assets		130,030	130,030
Unrestricted		<u>134,645</u>	<u>134,645</u>
Total net assets		<u>\$ 264,675</u>	<u>\$ 264,675</u>

The accompanying notes are an integral part of this statement.

Newaygo Area District Library
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE—STATEMENT OF ACTIVITIES**
 For the year ended December 31, 2007

	Revenues and Expenditures - Modified accrual	Adjustments	Statement of Activities - Full accrual
REVENUES			
Intergovernmental revenue			
State	\$ 8,113	\$ -	\$ 8,113
Local	82,517	-	82,517
Charges for Services	1,875	-	1,875
Fines and forfeitures	34,522	-	34,522
Investment earnings	6,933	-	6,933
Contributions	70,708	1,516	72,224
Other	<u>702</u>	<u>-</u>	<u>702</u>
Total revenues	205,370	1,516	206,886
EXPENDITURES			
Current			
Salaries and wages	100,175	-	100,175
Fringe benefits	7,655	-	7,655
Operating supplies	16,646	-	16,646
Repairs and maintenance	3,744	-	3,744
Professional services	22,259	-	22,259
Utilities	4,742	-	4,742
Insurance	1,273	-	1,273
Dues and fees	377	-	377
Contracted services	18,157	-	18,157
Telephone	2,047	-	2,047
Other	1,893	-	1,893
Capital outlay	38,079	(38,079)	-
Depreciation	<u>-</u>	<u>29,547</u>	<u>29,547</u>
Total expenditures	<u>217,047</u>	<u>(8,532)</u>	<u>208,515</u>
Change in fund balance—net assets	(11,677)	10,048	(1,629)
Fund balance—net assets at January 1, 2007	<u>142,310</u>	<u>123,994</u>	<u>266,304</u>
Fund balance—net assets at December 31, 2007	<u>\$ 130,633</u>	<u>\$ 134,042</u>	<u>\$ 264,675</u>

The accompanying notes are an integral part of this statement.

Newaygo Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Newaygo Area District Library (Library) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 Library's accounting policies are listed below.

Reporting Entity

The Library was established in September 2005 by a district library agreement between the City of Newaygo, Brooks Township and Garfield Township pursuant to the District Library Establishment Act. The boundaries include most of the participating municipality boundaries except those already covered by another district library. The Library is governed by a seven member Library Board. Each participating municipality appoints two members and the seventh member is appointed by one of the municipalities on a rotating basis. The Library is administered by a director appointed by the Board. As part of this agreement, all assets of the Newaygo Carnegie Library, a component unit of the City of Newaygo, were contributed to the Library.

The Library is currently funded primarily by contribution from the establishing municipalities, fines, fees and state aid. The Library has until December 31, 2008 to pass a millage with not less than 1.6 mills of funding. If the Library is unable to pass a millage by the above date all net assets of the Library transfer back to the City of Newaygo.

Generally accepted accounting principles require that if the Library has certain oversight responsibilities over other organizations, those organizations should be included in the Library's financial statements. Since no organizations met this criteria, none are included in the financial statements.

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 Library. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Since the Library only has one fund, no separate columns have been provided.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants 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. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, 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 Library.

Newaygo Area District Library
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Fund Equity or Net Assets

Deposits and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Library reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed and the Library intends to hold the investment until maturity.

The Library has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Library to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The prepaid items recorded in the governmental fund types do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved.

Capital Assets

Capital assets, which include library books, periodicals, etc. and equipment are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year with exception of library books, periodicals, etc. which are all recorded as capital assets. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Library books and equipment of the Library are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Library books, periodicals, etc.	5-10
Furniture and equipment	5

Newaygo Area District Library
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Compensated Absences

The Library's employees are granted vacation and sick leave in varying amounts based upon length of service and position. Unused vacation and sick leave does not accumulate from year to year.

Fund Balance and Net Assets

Reservations and restrictions represent amounts that are not appropriable or are legally segregated for a specific purpose.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Library follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the beginning of the year, the Library Director submits to the Library Board a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Not later than December 31, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Library Board. All appropriations lapse at year end.

The appropriated budget is prepared by individual revenue and expenditure line item. The legal level of budgetary control is the individual line item. The Library Board made several supplemental budgetary appropriations throughout the year.

Excess Expenditures Over Appropriations

During the year ended December 31, 2007, the Library had expenditures exceeding appropriations for repair and maintenance by \$1,394, contracted services by \$3,657 and capital outlay by \$1,704. These overexpenditures were funded with available fund balance.

Newaygo Area District Library
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issues by nationally recognized statistical rating organizations (NRSROs). The Library has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Library does not have a concentration of credit risk policy. Concentration of credit risk 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 - deposits. The Library does not have a custodial credit risk policy for deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2007, \$57,045 of the Library's bank balance of \$157,045 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Library does not have a custodial credit risk policy for investments. In an investment, this is the risk that in the event of the failure of the counterparty, the Library's will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Library is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets, being depreciated:				
Library books, periodicals, etc.	\$ 725,397	\$ 38,079	\$ 291,531	\$ 471,945
Furniture and equipment	64,407	-	-	64,407
	<u>789,804</u>	<u>38,079</u>	<u>291,531</u>	<u>536,352</u>
Total capital assets, being depreciated				
	789,804	38,079	291,531	536,352
Less accumulated depreciation:				
Library books, periodicals, etc.	603,899	29,547	291,531	341,915
Furniture and equipment	64,407	-	-	64,407
	<u>668,306</u>	<u>29,547</u>	<u>291,531</u>	<u>406,322</u>
Total accumulated depreciation				
	668,306	29,547	291,531	406,322
Capital assets, net	<u>\$ 121,498</u>	<u>\$ 8,532</u>	<u>\$ -</u>	<u>\$ 130,030</u>

Newaygo Area District Library
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 December 31, 2007

NOTE E—DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues 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. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Unearned	\$	30,731
Unavailable		<u>4,012</u>
Total deferred revenue for governmental funds	\$	<u><u>34,743</u></u>

NOTE F—COMMITMENTS

Facility Lease

The Library entered into a five year and four month lease agreement for the Library's operating facilities that expires December 31, 2010. The lease requires annual rentals of \$1 and payment of all occupancy expenses.

NOTE G—OTHER INFORMATION

Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

NOTE H—RECONCILIATION OF GENERAL FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance—governmental funds	\$	130,633
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Other receivables in governmental activities not reported in the governmental funds.		4,012
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Capital assets used in governmental activities are not current financial resources and are not reported in the governmental fund.

Cost of capital assets	\$	536,352
Accumulated depreciation		<u>(406,322)</u> <u>130,030</u>

Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>264,675</u></u>
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Newaygo Area District Library
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 December 31, 2007

**NOTE H—RECONCILIATION OF GENERAL FUND FINANCIAL STATEMENTS TO
 GOVERNMENT-WIDE FINANCIAL STATEMENTS—Continued**

Net change in fund balances—total governmental funds \$ (11,677)

Amounts reported for government activities in the Statement of Activities
 are different because:

Revenue reported in the Statement of Activities that does not provide
 current financial resources are not reported as revenue in the
 governmental funds. 1,516

Governmental funds report outlays for capital assets as expenditures;
 in the Statement of Activities, these costs are depreciated over
 their estimated useful lives.

Depreciation expense	\$ (29,547)	
Capital outlay	<u>38,079</u>	<u>8,532</u>
Change in net assets in governmental activities		<u><u>\$ (1,629)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Newaygo Area District Library
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 For the year ended December 31, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 5,460	\$ 8,113	\$ 8,113	\$ -
Local	80,300	82,710	82,517	(193)
Charges for services	1,800	1,857	1,875	18
Fines and forfeitures	40,200	34,430	34,522	92
Investment earnings	4,000	6,400	6,933	533
Contributions	30,000	92,830	70,708	(22,122)
Other	400	702	702	-
Total revenues	<u>162,160</u>	<u>227,042</u>	<u>205,370</u>	<u>(21,672)</u>
Expenditures				
Current				
Salaries and wages	95,010	102,125	100,175	1,950
Fringe benefits	7,200	8,295	7,655	640
Operating supplies	9,200	17,895	16,646	1,249
Repairs and maintenance	1,800	2,350	3,744	(1,394)
Professional services	10,300	23,290	22,259	1,031
Utilities	5,500	5,500	4,742	758
Insurance	3,200	4,153	1,273	2,880
Dues and fees	400	377	377	-
Contracted services	16,000	14,500	18,157	(3,657)
Telephone	3,000	1,200	2,047	(847)
Other	2,100	2,288	1,893	395
Capital outlay	<u>17,800</u>	<u>36,375</u>	<u>38,079</u>	<u>(1,704)</u>
Total expenditures	<u>171,510</u>	<u>218,348</u>	<u>217,047</u>	<u>1,301</u>
Net change in fund balance	<u>\$ (9,350)</u>	<u>\$ 8,694</u>	(11,677)	<u>\$ (20,371)</u>
Fund balance at January 1, 2007			<u>142,310</u>	
Fund balance at December 31, 2007			<u>\$ 130,633</u>	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

June 25, 2008

Library Board
Newaygo Area District Library
Newaygo, Michigan

In planning and performing our audit of the governmental activities, and the major fund of Newaygo Area District Library as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Newaygo Area 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 Newaygo Area District Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Newaygo Area District Library's internal control.

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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached deficiencies in internal control that we consider to be significant deficiencies.

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



SIGNIFICANT DEFICIENCIES

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

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

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles

Recommendation 2: The internal control procedures should be further segregated.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining an accounting system with strong internal accounting controls including significant segregation of duties.

The Library should continue using its current accounting system, but seek opportunities to further segregate duties and strengthen internal controls. Often, the most effective approach is the expansion of documented approval of transactions and reconciliations by the Library Board.

Recommendation 3: Cash receipts should be deposited in a timely manner.

During our testing, we noted that cash receipts are not being timely deposited.

The timely deposit of cash receipts would reduce the possibility of cash receipts being misplaced or misappropriated.