

AUDITED FINANCIAL STATEMENTS

LOUTIT DISTRICT LIBRARY

June 30, 2007

Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Loutit District Library	County Ottawa
Fiscal Year End June 30, 2007	Opinion Date October 4, 2007	Date Audit Report Submitted to State November 6, 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.)
- 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 type="checkbox"/>			
Certified Public Accountant (Firm Name) Calvin D. Meeusen, C.P.A., PLLC		Telephone Number 616-846-6210		
Street Address 600 S. Beacon Blvd., Suite 1A		City Grand Haven	State MI	Zip 49417
Authorizing CPA Signature 	Printed Name Calvin D. Meeusen		License Number 1101006731	

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INDEPENDENT AUDITOR'S REPORT

Loutit District Library
Grand Haven, Michigan

I have audited the financial statements of the governmental activities of the Loutit District Library, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Loutit District Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements listed in the table of contents present fairly in all material respects, the financial position of the governmental activities of the Loutit District Library at June 30, 2007, and the results of the operations of such activities for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

My report of comments and recommendations has been submitted under date of October 4, 2007.

 Calvin D. Meusen C.P.A. PLLC

October 4, 2007

Loutit District Library
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Using this Management's Discussion and Analysis

This annual report is intended to supplement the District Library's financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District Library and present a longer-term view of the District Library's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and changes in Fund Balance and the Governmental Fund Balance Sheet) tell how library services were financed in the short-term, as well as what remains for future spending.

The District Library as a Whole

The District Library's total net assets are \$7,190,424 as of June 30, 2007. Unrestricted net assets, which represent net assets that can be used to finance day to day operations, comprise 18% of that total. The current level of unrestricted net assets for our governmental activities stands at \$1,265,852 or about 74% of current year operating expenditures. Donor restricted net assets represent pledges and other receivables associated with the capital campaign, recorded in the Capital Projects Fund. Board restricted net assets of \$910,062 are attributable to the Capital Projects and Construction Fund. The balance of net assets (\$3,698,595) are capital assets net of related debt.

Table 1
Loutit District Library Net Assets

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Current Assets	\$ 3,667,165	\$ 2,678,866
Noncurrent Assets	-	-
Capital Assets net of accumulated depreciation	<u>4,185,404</u>	<u>3,501,278</u>
Total Assets	7,852,569	6,180,144
Current Liabilities	121,127	223,006
Long-Term Debt Outstanding	<u>541,018</u>	<u>531,259</u>
Total Liabilities	662,145	754,265
Net Assets		
Invested in Capital Assets (Net of Related Debt)	3,698,595	2,930,291
Donor Restricted	1,315,915	-
Board Restricted	910,062	1,264,837
Unrestricted	<u>1,265,852</u>	<u>1,230,751</u>
Total Net Assets	<u>\$7,190,424</u>	<u>\$5,425,879</u>

The District Library's net assets continue to remain healthy. The District Library will have enough cash to fund normal operating expenses for the next twelve months.

Loutit District Library
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Governmental Activities

The District Library's total revenues in the General Fund were \$2,070,805, an increase over the prior year of \$105,303 or 5% over the prior year. Property tax revenue from the district library millage, which contributes 84% of the total revenue, increased by 5% over last year. Penal fine income increased by 10% from the prior year.

General Fund expenditures increased this year, largely due to increased personnel and maintenance costs.

Capital Projects Fund expenditures for the past year were related to the renovation and expansion project for our current building. We purchased property across Fourth Street for \$720,771 to be used for parking. We incurred expenses for our capital campaign and the bond election held on May 8, 2007. Prior to the bond proposal vote we had expenditures for architectural services, legal fees and environmental testing of the newly purchased property. The Capital Projects Fund accumulated fund balance covered these expenditures.

Construction Fund expenditures were related to the building project subsequent to the successful bond proposal vote. These expenses include architect fees, legal fees and survey costs. The initial revenue for this fund was a transfer from the Capital Projects Fund.

Table 2
Loutit District Library Changes in Net Assets
Governmental Activities

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
<u>Revenues</u>		
General		
Property taxes	\$1,746,033	\$1,662,700
Fines and forfeits	169,137	156,212
Contributions	1,407,184	29,995
Contributions - In kind	-	1,400,000
Investment earnings	133,560	126,399
Miscellaneous	<u>27,546</u>	<u>26,762</u>
Total	3,483,460	3,402,068
 <u>Expenses</u>		
Wages and benefits	951,429	865,107
Books and magazines (Note I)	44,792	19,063
Supplies	33,097	34,451
Lakeland Library Cooperative	39,326	40,496
Building and grounds	183,909	135,887
Professional fees	24,408	27,393
Depreciation	253,586	213,504

Loutit District Library
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Expenses-continued

Transfers to other libraries	41,221	39,935
Other	<u>147,147</u>	<u>125,913</u>
Total	<u>1,718,915</u>	<u>1,501,749</u>
 Increase in Net Assets	 1,764,545	 1,900,319
 Net Assets at July 1	 <u>5,425,879</u>	 <u>3,525,560</u>
 Net Assets at June 30	 <u>\$7,190,424</u>	 <u>\$5,425,879</u>

The District Library's Funds

Budget comparison schedules for the District Library's funds are on pages 21, 22, 23 and 24, following the notes to the financial statements. The District Library creates funds as needed to manage its revenues for specific purposes as well as to account for certain activities.

The District Library's largest fund for the year ended June 30, 2007 is the General Fund. The General Fund receives the District Library's general revenues and pays the general operating expenditures. There is also a Capital Projects Fund which records activities attributable to the planning of the building project and tracks contributions to the capital campaign. The Construction Fund records costs of the building project incurred after the successful bond vote on May 8, 2007. The Debt Service Fund records the activities concerning the payment of general obligation debt principal and interest.

General Fund Budgetary Highlights

Over the course of the year, the District Library Board amended the budget to take into account events during the year. The major expenditure amendments to the General Fund reflected increases in personnel costs due to additional hours for one position and the addition of a new clerical position, increases in postage and printing due to the change in distribution of the newsletter, increased legal fees relating to our building project and lower costs attributable to the separating of the utilities between the library and the community center than budgeted. New accounts were created for better tracking of expenditures and items were moved to these accounts. The revenue amendments mostly reflected changes in property taxes received due to changes in taxable value and an increase in penal fines.

Overall, District Library expenditures stayed below budget. The General Fund's fund balance increased by \$45,561 for a total of \$1,320,762 at June 30, 2007.

Capital Assets and Debt Retirement

At June 30, 2007 the District Library had \$5,917,672, before accumulated depreciation of \$1,732,268, invested in a broad range of capital assets - land, building improvements, books and other collections and furniture and equipment. We continue to pay down our general obligation debt for the land purchase according to schedule.

Loutit District Library
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Economic Factors and Next Year's Budgets

The District Library's budget for the next fiscal year projects property taxes, which is the largest source of revenue, to increase. State aid will likely decrease by 50% while penal fines should remain steady. Personnel costs, which remain the largest expenditure, should remain fairly constant with no additional positions or hours anticipated and with an increase in the percentage of health insurance premiums paid by employees.

Due to the passage of the bond proposal on May 8, 2007, the District Library moved ahead with the plans for the renovation and expansion of the building at 407 Columbus in Grand Haven. Bonds were sold on August 1 to cover about 70% of construction costs. The debt service tax to pay a portion of the bonds will be levied beginning in December, 2007. Funds will be transferred from both the General Fund fund balance and the Capital Projects Fund fund balance to the Construction Fund to cover the remainder of the construction costs. The District Library plans to move its operations to a temporary location during construction, the cost of which is included in the building project estimated costs.

Contacting the District Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons and other interested parties with a general overview of the Library's finances and to show the District Library's accountability for the revenue it receives. If you have questions about this report or need additional information, we welcome you to contact Sandie Knes, Library Director, at (616) 842-5560, extension 212.

Loutit District Library
Governmental Funds Balance Sheet/Statement of Net Assets
June 30, 2007

	<u>Modified Accrual Basis</u>			<u>Adjustments</u>	<u>Full Accrual Basis</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Construction Fund</u>		<u>Statement of Net Assets</u>
Assets					
Cash and cash equivalents	\$1,390,565	\$ 908,183	\$ 26,303	\$ -	\$2,325,051
Accounts receivable	26,199	701	-	-	26,900
Pledges receivable (net) (Note J)	-	1,315,214	-	-	1,315,214
Capital assets (net) (Note C)	-	-	-	4,185,404	4,185,404
Total Assets	\$1,416,764	\$2,224,098	\$ 26,303	\$4,185,404	\$7,852,569
Liabilities					
Accounts payable	\$ 25,534	\$ -	\$ 25,125	\$ -	\$ 50,659
Internal balances	-	-	-	-	-
Accrued liabilities	70,468	-	-	-	70,468
Deferred revenue	-	1,315,214	-	\$(1,315,214)	-
Long-term liabilities					
Note payable-due within one year (Note E)	-	-	-	88,294	88,294
Note payable-due after one year (Note E)	-	-	-	398,515	398,515
Accumulated employee benefits (Note A 7)	-	-	-	54,209	54,209
Total Liabilities	\$ 96,002	\$1,315,214	\$ 25,125	\$ (774,196)	\$ 662,145
Fund Balance/Net Assets					
Fund Balances-Unreserved					
Board Restricted - Capital Improvements	-	908,884	1,178	(910,062)	-
Unrestricted	1,320,762	-	-	(1,320,762)	-
Total Fund Equities	1,320,762	908,884	1,178	(2,230,824)	-
Total Liabilities and Fund Balance	\$1,416,764	\$2,224,098	26,303		
Net Assets					
Invested in capital assets-net of related debt				3,698,595	3,698,595
Donor restricted				1,315,915	1,315,915
Unreserved					
Board Restricted				910,062	910,062
Unrestricted				1,265,852	1,265,852
Total Net Assets				7,190,424	7,190,424

The accompanying notes are an integral part of this statement.

Loutit District Library
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund
Balance/Statement of Activities
Year ended June 30, 2007

	Modified Accrual Basis			
	General Fund	Capital Projects Fund	Construction Fund	Debt Service Fund
Revenues:				
Property taxes	\$ 1,746,033	\$ -	\$ -	\$ -
State grants	26,919	-	-	-
Interest and rentals	98,917	34,399	244	-
Contributions	29,172	62,798	-	-
Fines and forfeits	169,137	-	-	-
Other revenue	627	-	-	-
TOTAL REVENUES	2,070,805	97,197	244	-
Expenditures:				
Salaries and wages	705,243	-	-	-
Employee benefits	236,428	-	-	-
Books and magazines (Note I)	162,460	-	-	-
Library supplies	33,097	-	-	-
Lakeland Library Cooperative	39,326	-	-	-
Equipment maintenance	3,718	-	-	-
Buildings and grounds	79,619	-	-	-
Utilities	55,311	-	-	-
Custodial	48,979	-	-	-
Professional fees	24,408	-	-	-
Insurance	16,991	-	-	-
Telephone	2,747	-	-	-
Printing and publishing	18,637	-	-	-
Tax collection fees	6,360	-	-	-
Postage	18,021	-	-	-
Pre-construction costs	-	50,897	38,905	-
Capital outlay	22,568	720,771	161	-
Capital Campaign expenses	-	11,482	-	-
Depreciation	-	-	-	-
Professional development	6,011	-	-	-
Memberships and dues	4,468	-	-	-
Transfers to other libraries	41,221	-	-	-
Miscellaneous	17,532	-	-	-
Debt service:				
Principal	-	-	-	84,178
Interest	-	-	-	27,921
TOTAL EXPENDITURES	1,543,145	783,150	39,066	112,099
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	527,660	(685,953)	(38,822)	(112,099)
Other financing sources (uses)				
Operating transfers in	-	370,000	40,000	112,099
Operating transfers out	(482,099)	(40,000)	-	-
Total other financing sources (uses)	(482,099)	330,000	40,000	112,099
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	45,561	(355,953)	1,178	-
Fund balances - July 1	1,275,201	1,264,837	-	-
Fund balances - June 30	\$ 1,320,762	\$ 908,884	\$ 1,178	-

The accompanying notes are an integral part of this statement.

Full Accrual Basis

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 1,746,033
-	26,919
-	133,560
1,315,214	1,407,184
-	169,137
-	627
<u>1,315,214</u>	<u>3,483,460</u>
-	705,243
9,758	246,186
(117,668)	44,792
-	33,097
-	39,326
-	3,718
-	79,619
-	55,311
-	48,979
-	24,408
-	16,991
-	2,747
-	18,637
-	6,360
-	18,021
(89,802)	-
(743,500)	-
-	11,482
253,586	253,586
-	6,011
-	4,468
-	41,221
13,259	30,791
(84,178)	-
-	<u>27,921</u>
<u>(758,545)</u>	<u>1,718,915</u>
2,073,759	1,764,545
-	522,099
-	<u>(522,099)</u>
-	-
2,073,759	1,764,545
<u>2,885,841</u>	<u>5,425,879</u>
<u>\$4,959,600</u>	<u>\$ 7,190,424</u>

Loutit District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The Loutit District Library (District Library) was established on February 24, 1999, pursuant to Act No. 24 of the Public Acts of 1989 by the participating municipalities of Grand Haven Charter Township, City of Grand Haven, City of Ferrysburg, Robinson Township, and Grand Haven Area Public Schools. The District Library provides library services to the general public.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Loutit District Library.

The Statement of Activities demonstrates the degree to which the direct expenses of providing library services are offset by the revenues designated to fund those services. All of the revenues of the General Fund of the District Library are intended to pay for those direct expenses, except as designated by the Library Board.

3. 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. Property taxes are recognized as revenue in the year for which they are levied. Collections from the 2006 Summer and Winter property taxes are considered to be revenues of the year ended June 30, 2007. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Pledged contributions are recognized as revenue in the current period.

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 District 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, debt service expenditures and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period

Loutit District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation-Cont.

are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period, when applicable. All other revenue items are considered to be available only when cash is received by the District Library.

The various funds are presented in these financial statements as follows:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the district library.

Capital Projects Fund - This fund is used to record activities attributable to the planning of the building project and now tracks contributions to the capital campaign.

Construction Fund - This fund records costs of the building project incurred after the successful bond vote on May 8, 2007.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the Statement of Net Assets column in the government-wide financial statements. Capital assets are defined by the District Library as assets with an initial individual cost of \$1,000 or more 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.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	50 years
Building improvements	10 - 20 years
Collections	3 - 20 years
Equipment	5 - 7 years
Furniture and Fixtures	10 years

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

The District Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On or about June 1, the District Library submits to the general public a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through passage of a resolution.
- d. The District Library director is authorized to transfer budgeted amounts within funds within any activities, except for certain activities which require Library Board authorization.
- e. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- f. Appropriations for all funds lapse at the end of the fiscal year.
- g. The budget has been adopted on a total fund basis.

Budgeted amounts are as originally adopted and as amended by the District Library Board as of June 30, 2007.

6. Property Taxes

Property taxes when levied attach as an enforceable lien on property. Summer taxes are levied on July 1 and are payable through September 14. Winter taxes are levied on December 1 and are payable through February 14. The property taxes are billed and collected by various municipalities, which then remit the District Library's designated portion on a semi-monthly basis. The District Library levied a tax of .9788 mills in the participating municipalities.

7. Compensated Absences

District Library employees earn vacation and sick leave in varying amounts based on length of service. Unused vacation pay and sick leave may accumulate and be carried over to a subsequent year, subject to restrictions. Management estimates that its current liability for unpaid vacation pay, sick leave and personal time is \$49,313 at June 30, 2007.

The noncurrent portion of accumulated sick pay liability is reflected under long-term liabilities in the Statement of Net Assets. The amount is \$54,209 as of June 30, 2007.

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Encumbrances

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District Library.

9. 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. Actual results could differ from those estimates.

10. Risk Management

The Loutit District Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries, as well as medical benefits provided to employees. The District Library has purchased commercial insurance for medical benefits claims and for claims relating to general liability, excess liability, physical damage (equipment, buildings and contents) and worker compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

11. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Pledged contributions attributable to the building expansion and renovation project are considered to be donor restricted. All non-cash donations are recorded at their estimated fair market value as of the date of the contribution.

12. Cash Equivalents

The District Library considers all short-term investments with an original maturity of three months or less to be cash equivalents.

NOTE B - CASH

The District Library's cash at June 30, 2007 is reported in the basic financial statements in the following categories:

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE B - CASH - CONTINUED

	<u>Governmental Activities</u>			<u>Total Primary Government</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Construction Fund</u>	
Cash	<u>\$1,390,565</u>	<u>\$ 908,183</u>	<u>\$ 26,303</u>	<u>\$2,325,051</u>

At June 30, 2007 the carrying amount of the District Library's deposits was \$2,325,051. The bank balance of the District Library's deposits was \$2,336,460. Of the bank balance, \$400,000 was covered by federal depository insurance and the remainder was uninsured.

NOTE C - CAPITAL ASSETS

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

	<u>Balance July 1 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30 2007</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$1,471,493	\$733,584	\$ -	\$2,205,077
Building (in progress)	<u>106,887</u>	<u>77,151</u>	<u>13,259</u>	<u>170,779</u>
	1,578,380	810,735	13,259	2,375,856
Capital Assets Being Depreciated				
Building	1,202,495	-	-	1,202,495
Building improvements	103,148	-	-	103,148
Collections	1,896,757	117,668	109,930	1,904,495
Equipment	196,230	22,568	27,177	191,621
Furniture and Fixtures	<u>140,057</u>	<u>-</u>	<u>-</u>	<u>140,057</u>
Subtotal	<u>3,538,687</u>	<u>140,236</u>	<u>137,107</u>	<u>3,541,816</u>
Less Accumulated Depreciation for				
Building	23,333	20,758	-	44,091
Building improvements	19,273	6,569	-	25,842
Collections	1,307,544	205,336	109,930	1,402,950
Equipment	126,770	20,672	27,177	120,265
Furniture and Fixtures	<u>138,869</u>	<u>251</u>	<u>-</u>	<u>139,120</u>
Subtotal	<u>1,615,789</u>	<u>253,586</u>	<u>137,107</u>	<u>1,732,268</u>

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE C - CAPITAL ASSETS - CONTINUED

Net Capital Assets Being Depreciated	<u>1,922,898</u>	<u>(113,350)</u>	<u>-</u>	<u>1,809,548</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$3,501,278</u>	<u>\$ 697,385</u>	<u>\$ 13,259</u>	<u>\$4,185,404</u>

NOTE D - PENSION PLANS

The District Library participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible employees of the District Library. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS 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, MI 48917.

Employer contributions are not required until the funded ratio is at a level below 110%. As of December 31, 2006, the funded ratio for the District Library was at 84.3%. Employer contributions at 11.19% of current monthly payroll are scheduled to commence in both July, 2007 and 2008 in order to bring the funded ratio levels up to the mandated ratio. These amounts were obtained from the actuarial reports provided by MERS dated December 31, 2005 and 2006.

For the year ended June 30, 2007, the District Library was required to make employer contributions at 11.19% of monthly payrolls to MERS totalling \$68,676. The required contribution was determined by actuarial valuation at December 31, 2005, using the entry age normal cost method. The actuarial assumptions include (a) 8% investment rate of return (net of administrative expenses) (b) merit and longevity salary increases ranging from 0% to 8.4% per year and 4.5% per year cost-of-living adjustments. The actuarial value of MERS assets is determined using techniques that smooth the effects of short term volatility in the market value of investments over a five-year period. The District Library's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a 30 year period.

Three Year Trend Information as of December 31 (date of the actuarial valuation report) follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual Pension Cost (credited through December 31)	\$ 58,014	\$ 62,542	\$ 61,821
Percentage of APC Contributed	100	100	100
Net Pension Obligation	\$ 0	0	0
Actuarial Value of Assets	\$ 592,395	689,975	803,033
Actuarial Accrued Liability (AAL)	\$ 703,197	825,948	952,661

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D - PENSION PLANS - CONTINUED

Unfunded AAL (UAAL)	\$ 110,802	135,973	149,628
Funded Ratio	84.2	83.5	84.3
Covered Payroll	\$ 453,631	467,994	530,772
UAAL as a Percentage of Covered Payroll	24.4	29.1	28.2

Deferred Compensation Plan

The District Library has an IRC Section 457 deferred compensation pension plan in which all eligible employees may elect to participate. The District Library will match employee contributions up to 2% of gross wages. The amount of employer contributions for the year ended June 30, 2007, was \$7,680.

NOTE E - DEBT

This General Obligation Note Payable was originally incurred for the purchase of land for the possible construction of a new library building. It is an unsecured installment note from a bank. The full faith and credit of the District Library is pledged for its repayment.

The installment note activity for the year ended June 30, 2007 can be summarized as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2002 Land Installment Note	4.89%	5-01-12	\$570,987	\$(84,178)	\$486,809	\$88,294

Annual debt service requirements to maturity for the above obligation are as follows:

<u>Year End June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 88,294	\$ 23,805
2009	92,612	19,487
2010	97,140	14,959
2011	101,890	10,209
2012	106,873	5,225
2013-2017	-	-
Total	<u>\$486,809</u>	<u>\$ 73,685</u>

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE F - INTERFUND OPERATING TRANSFERS

Details of interfund operating transfers at June 30, 2007, are as follows:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Fund</u>	<u>Operating Transfers Out</u>
Capital Projects	\$ 370,000	General	\$ 482,099
Debt Service	112,099		
Construction	<u>40,000</u>	Capital Projects	<u>40,000</u>
	<u>\$ 522,099</u>		<u>\$ 522,099</u>

NOTE G - DISTRICT LIBRARY AGREEMENT

The District Library entered into an agreement with local participating municipalities on February 24, 1999. Among other things, the Agreement provides for the District Library to pay the City of Grand Haven an amount equal to the Transfer Value of the Assets (as defined in the Agreement) if the District Library relocates, without City consent, its main library outside the City limits within the next 150 years. This obligation would be funded only on the date on which the District Library transfers its operations out of the City. The amount of the Transfer Value, as determined by formula, is subject to adjustment as of the January 1 preceding the date of relocation. The amount of the Transfer Value was determined to be \$5,946,430 as of June 30, 2007.

NOTE H - DESIGNATED FUND AGREEMENT

The District Library entered into an agreement with the Grand Haven Area Community Foundation on September 25, 2001, whereby the District Library transferred \$2,000 to the Foundation.

The purpose of the District Library establishing this endowment fund was to provide funding for the support of the Loutit District Library.

Distributions may be made only from net appreciation, realized and unrealized, at the request of the District Library Advisory Committee, subject to Foundation approval and certain conditions. The Advisory Committee may also request that a portion or all of the investment return be invested in the Fund. The District Library received a distribution of \$132 from the Endowment Fund during the past fiscal year.

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE H - DESIGNATED FUND AGREEMENT - CONTINUED

The value of this designated fund was \$4,637 as of June 30, 2007.

The District Library also has a designated fund at the Grand Haven Area Community Foundation, the purpose and use of which is to provide funding for expansion and/or renovation of Loutit District Library. This fund is called the "Loutit District Library Building Fund".

Distributions may be made from Fund income or principal at the request of the Advisory Committee, subject to Foundation approval and certain conditions. The Advisory Committee may also request that a portion or all of the investment return be invested in the Fund. The District Library did not receive any distributions from the Building Fund during the past fiscal year.

The value of this designated fund was \$7,288 as of June 30, 2007.

NOTE I - CAPITALIZED BOOKS

The District Library generally capitalizes its purchases of Collection materials, with the exception of periodicals, in the Statement of Net Assets. The District Library expended \$162,460 (less \$117,668 capitalized in 2007) and \$134,111 (less \$115,048 capitalized in 2006) for book and magazine purchases for the years ended June 30, 2007 and 2006, respectively.

NOTE J - PLEDGES RECEIVABLE - CAPITAL PROJECTS FUND

Pledges receivable at June 30, 2007 are as follows:

Pledges made - 2006-2007	\$1,446,519
Pledges received - 2006-2007	<u>(62,083)</u>
	1,384,436
Less anticipated shrinkage (5%)	<u>69,222</u>
	<u>\$1,315,214</u>

These pledges receivable are also recorded as deferred revenues in the liabilities section of the Governmental Funds Balance Sheet in accordance with the modified accrual basis of accounting. The deferred revenues are eliminated in the conversion to full accrual basis of accounting on the Statement of Net Assets on page 8.

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE K - SUBSEQUENT EVENT - ISSUANCE OF BONDS

Two (2) separate bond issues were sold on August 1, 2007 for the purpose of financing the construction of the renovation and expansion of the building at 407 Columbus in Grand Haven, Michigan. These are general obligation bonds called Series 2007 A and 2007 B. The debt service on the 2007 A bonds, totalling \$3,425,000, will be paid for by a new, separate millage passed by voters on May 8, 2007 and the 2007 B bonds, totalling \$4,500,000, will be paid out of existing revenues.

REQUIRED SUPPLEMENTAL INFORMATION

Loutit District Library
 Budgetary Comparison Schedule-General Fund
 Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues:				
Property taxes	1,767,275	1,760,367	1,746,033	(14,334)
State grants	24,450	24,450	26,919	2,469
Interest and rentals	109,950	110,650	98,917	(11,733)
Contributions	22,500	26,300	29,172	2,872
Fines and forfeits	152,980	167,785	169,137	1,352
Other revenue	1,800	1,900	627	(1,273)
TOTAL REVENUES	2,078,955	2,091,452	2,070,805	(20,647)
Expenditures:				
Salaries and wages	700,080	708,807	705,243	3,564
Employee benefits	247,521	249,390	236,428	12,962
Books and magazines	176,335	178,785	162,460	16,325
Library supplies	37,650	40,065	33,097	6,968
Lakeland Library Cooperative	40,310	40,310	39,326	984
Equipment maintenance	6,150	5,545	3,718	1,827
Buildings and grounds	165,700	41,500	79,619	(38,119)
Utilities	-	63,600	55,311	8,289
Custodial	-	65,000	48,979	16,021
Professional fees	23,600	38,600	24,408	14,192
Insurance	19,685	16,995	16,991	4
Telephone	2,400	2,770	2,747	23
Printing and publishing	15,250	19,500	18,637	863
Tax collection fees	6,113	6,365	6,360	5
Postage	14,350	18,200	18,021	179
Capital outlay	104,345	73,820	22,568	51,252
Professional development	8,850	8,850	6,011	2,839
Memberships and dues	4,995	4,995	4,468	527
Transfers to other libraries	38,610	42,295	41,221	1,074
Miscellaneous	15,460	18,810	17,532	1,278
TOTAL EXPENDITURES	1,627,404	1,644,202	1,543,145	101,057
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	451,551	447,250	527,660	80,410
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(451,551)	(482,100)	(482,099)	1
Total other financing sources (uses)	(451,551)	(482,100)	(482,099)	1
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	(34,850)	45,561	80,411
Fund balances - July 1	1,275,201	1,275,201	1,275,201	-
Fund balances - June 30	1,275,201	1,240,351	1,320,762	80,411

The accompanying notes are an integral part of this statement.

Loutit District Library
 Budgetary Comparison Schedule-Capital Projects Fund
 Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues:				
Contributions	\$ -	\$ 51,000	\$ 62,798	\$ 11,798
Interest	<u>34,200</u>	<u>34,200</u>	<u>34,399</u>	<u>199</u>
 TOTAL REVENUES	 34,200	 85,200	 97,197	 11,997
 Expenditures:				
Pre-construction costs				
Architectural	10,000	45,155	42,150	3,005
Legal	500	8,720	3,429	5,291
Other	-	5,320	5,318	2
Capital outlay	-	720,800	720,771	29
Capital Campaign expenses	<u>-</u>	<u>20,000</u>	<u>11,482</u>	<u>8,518</u>
 TOTAL EXPENDITURES	 <u>10,500</u>	 <u>799,995</u>	 <u>783,150</u>	 <u>16,845</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 23,700	 (714,795)	 (685,953)	 28,842
 Other financing sources (uses)				
Operating transfers in	339,451	370,000	370,000	-
Operating transfers out	<u>-</u>	<u>(30,000)</u>	<u>(40,000)</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>339,451</u>	<u>340,000</u>	<u>330,000</u>	<u>(10,000)</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	 363,151	 (374,795)	 (355,953)	 18,842
 Fund balances - July 1	 <u>1,264,837</u>	 <u>1,264,837</u>	 <u>1,264,837</u>	 <u>-</u>
 Fund balances - June 30	 <u>\$1,627,988</u>	 <u>\$ 890,042</u>	 <u>\$ 908,884</u>	 <u>\$18,842</u>

The accompanying notes are an integral part of this statement.

Loutit District Library
 Budgetary Comparison Schedule-Construction Fund
 Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues:				
Interest	\$ -	\$ -	\$ 244	\$ 244
TOTAL REVENUES	-	-	244	244
Expenditures:				
Pre-construction costs				
Architectural	-	19,000	28,126	(9,126)
Legal	-	10,000	7,279	2,721
Other	-	1,000	3,500	(2,500)
Capital outlay	-	-	161	(161)
TOTAL EXPENDITURES	-	30,000	39,066	(9,066)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(30,000)	(38,822)	(8,822)
Other financing sources (uses)				
Operating transfers in	-	30,000	40,000	10,000
Total other financing sources (uses)	-	30,000	40,000	10,000
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	1,178	1,178
Fund balances - July 1	-	-	-	-
Fund balances - June 30	\$ -	\$ -	\$ 1,178	\$ 1,178

The accompanying notes are an integral part of this statement.

Loutit District Library
 Budgetary Comparison Schedule-Debt Service Fund
 Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues:	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-
Expenditures:				
Principal on note	84,179	84,179	84,178	1
Interest expense	27,921	27,921	27,921	-
TOTAL EXPENDITURES	112,100	112,100	112,099	1
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(112,100)	(112,100)	(112,099)	1
Other financing sources (uses)				
Operating transfers in	112,100	112,100	112,099	(1)
Total other financing sources (uses)	112,100	112,100	112,099	(1)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	-	-
Fund balances - July 1	-	-	-	-
Fund balances - June 30	-	-	-	-

The accompanying notes are an integral part of this statement.

CALVIN D. MEEUSEN, C.P.A., PLLC
CALVIN D. MEEUSEN
CERTIFIED PUBLIC ACCOUNTANT

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October 4, 2007

Members of the Library Board
Loutit District Library
Grand Haven, Michigan

In connection with my examination of the balance sheet/statement of net assets of the Loutit District Library as of June 30, 2007 and the related statements of revenues, expenditures and fund balances/activities for the year then ended, I have reviewed the accounting policies and procedures employed by the District Library and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Loutit District Library for the year ended June 30, 2007, and have issued my report thereon dated October 4, 2007. As part of my examination, I made a study and evaluation of the system of internal accounting control of the Loutit District Library to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". The purpose of my study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Loutit District Library is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting procedures.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the District Library taken as a whole. However, I noted certain matters that I consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or

operation of the internal control structure that, in my judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is that an adequate internal control structure does not exist for reliance thereon because of the small size of the entity resulting in a lack of segregation of duties due to the limited number of accounting personnel.

I do not believe that the reportable condition is a material weakness.

This report is intended solely for the use of management and the State of Michigan, Michigan Department of Treasury, and should not be used for any other purpose.

The size of the District Library's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Library Board continue to take an active role in the financial affairs of the District Library to provide oversight and independent review functions.

A budget is required by the State Constitution and by the State Statutes and is the only basis for spending. A local unit cannot budget expenditures in excess of anticipated revenues nor can it overspend its adopted budget unless a change in the budget is approved by the Library Board. The budget has been adopted on a total fund basis by the Library Board. During the past fiscal period, the Library Board overspent in some line items and underspent in others. To the extent possible, the Library Board should amend the budget to cover anticipated deficiencies.

In conclusion, I wish to state that I have had excellent cooperation from all personnel involved in the recordkeeping area and look forward to more of the same from them in the future. These comments and recommendations are intended to be only of a constructive nature as I am sure they will continue to improve your accounting system. I would be available at any time in order to discuss these comments and recommendations.

Respectfully submitted,

Handwritten signature of Calvin D. Meeusen in cursive, followed by the text "C.P.A. PLLC".

Calvin D. Meeusen, C.P.A., PLLC