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	Caro Area District Library	Tuscola

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
12-31-06	2-7-07	5-3-07

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
Anderson, Tuckey, Bernhardt & Doran, P.C.	989-673-3137

Street Address	City	State	Zip
715 E. Frank St.	Caro	MI	48723

Authorizing CPA Signature	Printed Name	License Number
Gary R. Anderson CPA	Gary R. Anderson	1101005446

CARO AREA DISTRICT LIBRARY

Caro, Michigan

FINANCIAL REPORT

December 31, 2006

Caro Area District Library

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

February 7, 2007

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Caro Area District Library
Caro, Michigan 48723

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Caro Area District Library, Caro, Michigan, for the year ended December 31, 2006 as listed in the Table of Contents, which collectively comprise a portion of the Caro Area District Library's basic financial statements required by the accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Caro 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Caro Area District Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Caro Area District Library as of December 31, 2006, or changes in its financial position for the year ended.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Caro Area District Library. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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General Purpose Financial Statements

CARO AREA DISTRICT LIBRARY
COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2006

	GOVERNMENTAL FUND TYPE	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)	
			REPORTING ENTITY	
	GENERAL	GENERAL FIXED ASSETS	2006	2005
ASSETS				
Cash	$ 189,195		$ 189,195	$ 199,690
Investments - stocks	10,028		10,028	10,028
General fixed assets		$ 901,765	901,765	877,392
TOTAL ASSETS	***$ 199,223***	***$ 901,765***	***$ 1,100,988***	***$ 1,087,110***
LIABILITIES AND FUND EQUITY				
Accrued sick pay	$ 10,360		$ 10,360	$ 9,002
TOTAL LIABILITIES	10,360		10,360	9,002
Fund Equity:				
Investment in general fixed assets		$ 901,765	901,765	877,392
Fund Balances:				
Unreserved:				
Undesignated	19,762		19,762	27,635
Designated for Special Projects	169,101		169,101	173,081
TOTAL FUND EQUITY	188,863	901,765	1,090,628	1,078,108
TOTAL LIABILITIES AND FUND EQUITY	***$ 199,223***	***$ 901,765***	***$ 1,100,988***	***$ 1,087,110***

The accompanying notes are an integral part of the financial statements.

CARO AREA DISTRICT LIBRARY
COMBINED STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2006

	TOTALS (MEMORANDUM ONLY)	
	REPORTING ENTITY	
	2006	2005
REVENUES:		
Taxes	$ 368,711	$ 340,360
Intergovernmental revenue	8,958	5,395
Fines	94,152	61,618
Miscellaneous	47,067	70,679
TOTAL REVENUES	518,888	478,052
EXPENDITURES:		
Salaries & employee benefits	286,266	269,757
Library materials	159,765	129,799
Operational	58,772	41,122
Miscellaneous	1,565	23,200
Capital outlay	24,373	13,243
TOTAL EXPENDITURES	530,741	477,121
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(11,853)	931
FUND BALANCE - BEGINNING	200,716	550,480
PRIOR PERIOD ADJUSTMENT	-	(350,695)
FUND BALANCE - ENDING	$ 188,863	$ 200,716

The accompanying notes are an integral part of the financial statements.

CARO AREA DISTRICT LIBRARY
COMBINED STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	$ 368,569	$ 368,711	$ 142
Intergovernmental revenue	8,958	8,958	-
Fines	87,709	94,152	6,443
Miscellaneous	43,061	47,067	4,006
TOTAL REVENUES	508,297	518,888	10,591
EXPENDITURES:			
Salaries and employee benefits	276,278	286,266	(9,988)
Library materials	163,519	159,765	3,754
Operational	61,500	58,772	2,728
Miscellaneous	2,000	1,565	435
Capital outlay	5,000	24,373	(19,373)
TOTAL EXPENDITURES	508,297	530,741	(22,444)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(11,853)	(11,853)
FUND BALANCE - BEGINNING	200,716	200,716	-
FUND BALANCE - ENDING	$ 200,716	$ 188,863	$ (11,853)

The accompanying notes are an integral part of the financial statements.

CARO AREA DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF DISTRICT LIBRARY OPERATIONS AND FUND TYPES:

The Township of Indianfields and the Caro Public Schools entered into a District Library agreement on January 1, 1997 under the provisions of Act 24, Michigan Public Acts of 1989, as amended. The Board of Trustees determined that the Library shall be known as the "Caro Area District Library." The District Library district shall be comprised of all that territory in the County of Tuscola which is located in the jurisdiction limits of the Caro Public Schools, State of Michigan.

The District Library is governed by a board consisting of seven members elected at large from the district.

On January 7, 1997, the Board of the Township of Indianfields transferred ownership of the real estate located at 840 West Frank Street, Caro, Michigan to the Library. Also transferred on that date were all other assets, personal, tangible and intangible relating to the funds of the Library.

Funding will be provided by a Library District millage. In June, 2002 voters approved a renewal of 1 mill levy for the years 2002 to 2010. In June 2002, an additional .5 mill increase was approved for the years 2002 to 2010.

Reporting Entity:
In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity.*

Based upon the application of these criteria, the general purpose financial statements of the Caro Area District Library contain all the funds and account groups controlled by the District's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library nor is the Library a component unit of another entity.

Basis of Presentation - Fund Accounting:
The accounts of the Library are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Governmental Funds:
General Fund - The General Fund is the general operating fund of the District Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Account Groups:
General Fixed Asset Group - This account group presents the balance of fixed assets at historical or estimated cost which are not recorded in proprietary type funds.

"Total - (Memorandum Only)":
The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund types and account groups. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:
The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Library considers property taxes as available if they are collected within 60 days after year-end. A one year availability period is used for revenue recognition for all other Library fund revenues susceptible to accrual. Expenditures are recorded when the liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Accounting For Capital Expenditures:
General accepted accounting principles applicable to governmental units provides for differing accounting treatment for capital expenditures, dependent upon the category of the funds from which the expenditures is made. In all library funds, including the general fund, capital expenditures are treated in the same manner as other current expenditures in the fund and are then recorded in a "general fixed asset" group of accounts.

Budgets And Budgetary Accounting:
Caro Area District Library adopts a budget for the General Fund just prior to the beginning of the year. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts as shown in the financial statements are as originally adopted or as amended by the Board of Trustees. All annual appropriations lapse at fiscal year-end. The Library does not utilize encumbrance accounting.

NOTE 3 - CONTINGENT LIABILITIES:

Under the terms of the present personnel policy adopted by the Library Board of Trustees, the Board is required to pay each regular employee their accumulated vacation leave time, up to 25 days, at 100% of current pay upon termination. Since the exact amount of this liability is indeterminable until termination of employment, no provision for it has been made in the accompanying financial statements.

The Library has elected to be treated as a reimbursing employer for unemployment tax purposes. Any employment benefits paid to the Library employees by the Michigan Unemployment Fund must be reimbursed by the Library on a dollar for dollar basis. The expense is recognized when the district becomes liable to the State for benefits paid.

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in the recorded general fixed assets follows:

	BALANCE DECEMBER 31, 2005	ADDITIONS	DELETIONS	BALANCE DECEMBER 31, 2006
GENERAL FIXED ASSETS:				
Building	$574,460			$574,460
Furniture	140,406			140,406
Equipment	162,526	$24,373		186,899
TOTAL GENERAL FIXED ASSETS	$877,392	$24,373	NONE	$901,765

NOTE 5 - DEPOSITS AND INVESTMENTS:

The Library's cash and cash equivalents consist of a checking account.

Credit Risk- State statutes authorize the Library to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Library is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Library has no investment policy that would further limit its investment choices.

Concentration of credit risk – The Library has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk- 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. The Library does not have a deposit policy for custodial credit risk. The carrying amount of the Library's deposits was $189,195 and the bank balance was $191,573 of which $100,000 was covered by federal depository insurance and $91,573 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk- Investments- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments. State law does not require and the Library does not have a policy for investment custodial credit risk.

Investments- The Library received a gift of 382 shares of Rockwell International stock with a value of $26.25 per share on March 10, 1992. As a result of Rockwell split offs, the Library now owns the following:

NAME	NUMBER OF SHARES	FAIR MARKET VALUE
Arvin Meritor	95.30	$ 1,737
Conexant	382	779
Mindspeed Technologies	127	243
Rockwell Collins	382	24,177
The Boeing Company	28	2,488
Rockwell International	382	23,333
Total	1396.30	$52,757

NOTE 5 - DEPOSITS AND INVESTMENTS (continued):

Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

NOTE 6 - 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; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities.

NOTE 7 - PROPERTY TAXES:

The property tax is levied each December 1 on the assessed valuation of the property located in the Townships. The Caro Area District Library receives the collected portion of the property taxes in full from the local townships and all delinquent taxes are handled through the county. The Library levied 1.4794 mills in December of 2005 for the 2006 year.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLAN:

The Library established a SIMPLE IRA plan on September 23, 2002, which covers all qualifying employees of the Library.

Under the plan, the Library contributes an amount equal to two percent (2%) of the qualifying employee's wages to the plan on behalf of the employee.

All amounts contributed are immediately and fully vested with the employee. Total contributions under the plan were $4,979 during 2006.

NOTE 9 – DESIGNATED FUND BALANCE:

The fund balance in the General Fund has been designated by the Board for the purpose of technology and capital expenditures, in the amount of $169,101.

NOTE 10 – PRIOR PERIOD ADJUSTMENT:

In the financial statements for the year ended December 31, 2005, an error was made in accounting for property taxes receivable in the general fund. For governmental units with a December year-end the December property tax levy is recorded as revenue in the subsequent fiscal year. This error was corrected in 2005.

NOTE 11 – GASB 34:

The Caro Area District Library chose not to adopt GASB 34, which is required by Generally Accepted Accounting Principals (GAAP). This departure from GAAP is also noted in the audit report letter.

Supplemental Information

CARO AREA DISTRICT LIBRARY
GENERAL FUND
SCHEDULE OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes:			
Current property taxes	$ 368,569	$ 368,711	$ 142
Total Taxes	368,569	368,711	142
Intergovernmental:			
State aid	8,958	8,958	-
Total Intergovernmental	8,958	8,958	-
Fines:			
Penal fines	87,709	94,152	6,443
Miscellaneous Revenues:			
Interest & dividend income	13,290	13,581	291
Gifts	3,000	7,045	4,045
Miscellaneous income	20,271	20,432	161
Video rentals	6,500	6,009	(491)
Total Miscellaneous	43,061	47,067	4,006
TOTAL REVENUES	$ 508,297	$ 518,888	$ 10,591

See the accompanying notes.

CARO AREA DISTRICT LIBRARY
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
EXPENDITURES:			
Salaries & Employee Benefits:			
Salaries	$ 226,769	$ 238,868	$ (12,099)
Employee benefits	49,509	47,398	2,111
Total Salaries & Employees Benefits	276,278	286,266	(9,988)
Library Materials:			
Books	51,100	50,584	516
Periodicals	7,500	6,943	557
Supplies	20,000	25,196	(5,196)
Contract fees	66,000	58,643	7,357
Electronic materials	3,000	2,729	271
Videos	15,919	15,670	249
Total Library Materials	163,519	159,765	3,754
Operational:			
Insurance	10,000	7,657	2,343
Utilities and telephone	20,500	20,626	(126)
Repairs and maintenance	22,000	25,016	(3,016)
Postage	3,000	2,062	938
Programming	2,000	824	1,176
Professional development	4,000	2,587	1,413
Total Operational	61,500	58,772	2,728
Other Miscellaneous	2,000	1,565	435
Capital Outlay	5,000	24,373	(19,373)
TOTAL EXPENDITURES	$ 508,297	$ 530,741	$ (22,444)

See the accompanying notes.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

To the Board of Caro Area District Library

In planning and performing our audit of the financial statements of Caro Area District Library as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered Caro 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 the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We believe that the following deficiencies constitute material weaknesses:

After considering the qualifications of the accounting personnel of Caro Area District Library, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the Library, but they do not have the qualifications and abilities to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America.

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

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Caro, Michigan
February 7, 2007

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