

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 FAIR GROVE DISTRICT LIBRARY	County TUSCOLA
Fiscal Year End 3-31-07	Opinion Date 6-21-07	Date Audit Report Submitted to State 9-24-07	

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	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	N/A

Certified Public Accountant (Firm Name) ANDERSON, TUCKEY, BERNHARDT & DORAN		Telephone Number 989-673-3137	
Street Address 715 E. FRANK ST		City CARO	State MI
Authorizing CPA Signature <i>Gary R. Anderson</i>		Printed Name Gary R. Anderson	Zip 48723
		License Number 1101005446	

FAIRGROVE DISTRICT LIBRARY
Fairgrove, Michigan

Report on Financial Statements
March 31, 2007

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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

June 21, 2007

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Fairgrove District Library
Fairgrove, MI 48733

Dear Board Members:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Fairgrove District Library as of and for the year ended March 31, 2007 and 2006, which collectively comprise the Library's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Fairgrove 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements 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 Fairgrove District Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matters 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 Fairgrove District Library as of March 31, 2007 and 2006, or changes in its financial position or cash flows where applicable, for the year then ended.

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

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

GENERAL PURPOSE FINANCIAL STATEMENTS

FAIRGROVE DISTRICT LIBRARY
Balance Sheet - All Governmental Fund Types

	March 31,	
	2007	2006
<u>ASSETS</u>		
Cash and savings deposits	\$ 107,890	\$ 77,461
Taxes receivable	6,089	4,573
TOTAL ASSETS	\$ 113,979	\$ 82,034
 <u>LIABILITIES AND FUND BALANCE</u>		
Fund Balance:		
Designated	\$ 3,888	\$ 1,283
Undesignated	110,091	80,751
Total Fund Balance	113,979	82,034
TOTAL LIABILITIES AND FUND BALANCE	\$ 113,979	\$ 82,034

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

FAIRGROVE DISTRICT LIBRARY
Statement of Revenue, Expenditures, and Changes in
Fund Balance - All Governmental Fund Types

	March 31,	
	2007	2006
REVENUES:		
State Aid	\$ 3,803	\$ 1,478
Taxes	78,331	75,383
Services	820	1,002
Fines	39,370	27,530
Miscellaneous	16,114	14,689
	138,438	120,082
TOTAL REVENUES	138,438	120,082
EXPENDITURES:		
Salaries and employee benefits	55,211	51,538
Library materials	16,148	14,389
Operational	23,738	20,264
Legal and accounting	875	775
Memorial and donation expenses	-	-
Miscellaneous	1,011	987
Capital outlay	9,510	37,103
	106,493	125,056
TOTAL EXPENDITURES	106,493	125,056
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	31,945	(4,974)
FUND BALANCE - APRIL 1	82,034	87,008
FUND BALANCE - MARCH 31	\$ 113,979	\$ 82,034

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

FAIRGROVE DISTRICT LIBRARY
Statement of Revenue, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended March 31, 2007

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
State aid	\$ 2,800	\$ 3,803	\$ 1,003
Taxes	77,200	78,331	1,131
Services	950	820	(130)
Fines	30,200	39,370	9,170
Miscellaneous	7,200	16,114	8,914
TOTAL REVENUES	118,350	138,438	20,088
EXPENDITURES:			
Salaries and employee benefits	68,000	55,211	12,789
Library materials	18,200	16,148	2,052
Operational	24,000	23,738	262
Legal and accounting	800	875	(75)
Memorial and donation expenses	-	-	-
Miscellaneous	1,250	1,011	239
Capital outlay	6,100	9,510	(3,410)
TOTAL EXPENDITURES	118,350	106,493	11,857
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	31,945	31,945
FUND BALANCE - APRIL 1	82,034	82,034	-
FUND BALANCE - MARCH 31	\$ 82,034	\$ 113,979	\$ 31,945

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

FAIRGROVE DISTRICT LIBRARY
Notes To The Financial Statements
For The Years Ended March 31, 2007 And 2006

NOTE 1 - DESCRIPTION OF DISTRICT LIBRARY OPERATIONS:

The Fairgrove District Library (Library) was organized under Public Act 24 of 1989 on July 1, 1999. Previously, the Library was a special revenue fund of the Township of Fairgrove. The Library is governed by an appointed board from two service areas: the Township of Fairgrove, which appoints two members, and the Akron-Fairgrove Schools, which appoints three members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING:

The Library maintains its accounting records and prepares its financial statements on the modified accrual basis of accounting. Under this basis, revenues are recognized when taxes are assessed and available, grant requirements are met, contributions are pledged or when revenue is otherwise earned. Expenses are recognized when the related liability is incurred.

BUDGET AND BUDGETARY ACCOUNTING:

Generally accepted accounting principles require a comparison of actual and budgeted revenue and expenditures.

Budgeted amounts are as originally adopted, or as amended by the Library board at various times during the fiscal year.

BASIS OF PRESENTATION:

The financial activities of the Library are recorded in separate funds and account groups, categorized and described as follows:

GOVERNMENTAL FUNDS:

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

TAXES RECEIVABLE:

Taxes receivable consists of delinquent property taxes due to the Library from various townships in Tuscola County.

ACCOUNTING ESTIMATES:

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

NOTE 3 – FUNDS OMITTED:

The Library has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets has not been included in this report.

FAIRGROVE DISTRICT LIBRARY
Notes To The Financial Statements
For The Years Ended March 31, 2007 And 2006

NOTE 4 – CASH AND EQUIVALENTS:

Deposits are carried at cost. Deposits of Fairgrove District Library are at a bank in the name of Fairgrove District Library.

The Governmental Accounting Standards Board Statements No. 3 risk disclosures for the General Fund cash deposits are as follows:

GENERAL FUND CARRYING AMOUNT

	March 31,	
	2007	2006
Cash	<u>\$107,890</u>	<u>\$77,461</u>

At year-end, the carrying amount of the Library's deposits was \$107,890 and the bank balances was \$111,642, all of which was covered by federal depository insurance. Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

NOTE 5 – BUILDING LEASE:

The Library has entered into a five-year lease agreement, through March 31, 2010, with the Township of Fairgrove for a portion of one of its buildings for an annual rate of \$1. The Library is responsible for two-thirds of the maintenance and insurance costs.

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 – PENSION PLAN:

The Library has no pension plan.

NOTE 8 – FUND BALANCE - RESTRICTED:

On June 19, 2002, the board approved opening a separate savings account for donation and memorial money. This money is to be used for purchasing capital improvements. As of March 31, 2007 the designated fund balance was \$3,888.

NOTE 9 – GASB 34:

The Fairgrove District Library chose not to adopt GASB 34, which is required by Generally Accepted Accounting Principles (GAAP).

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

Certified Public Accountants



June 21, 2007

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Jamie L. Peasley, CPA

To the Board of Fairgrove District Library:

In planning and performing our audit of the financial statements of Fairgrove District Library as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Fairgrove 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:

Finding 2007-1

After considering the qualifications of the accounting personnel of Fairgrove 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, Fairgrove 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.
Certified Public Accountants