AUDITED FINANCIAL STATEMENTS

SOUTH HAVEN MEMORIAL LIBRARY

June 30, 2008

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

Michigan Department of Treasury
496 (Rev.06/08)

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	County	Type	MuniCode
South Haven	Van Buren	Library	80-8-004

Opinion Date	Audit Submitted	Fiscal Year
September 2, 2008	September 9, 2008	June 30, 2008

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- [X] 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- [X] 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- [ ] 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- [X] 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- [X] 5. Did the local unit adopt a budget for all required funds?
- [X] 6. Was a public hearing on the budget held in accordance with State statute?
- [X] 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- [X] 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- [X] 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- [X] 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- [X] 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- [X] 12. Is the local unit free of repeated reported **deficiencies** from previous years?
- [X] 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- [X] 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- [X] 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- [X] 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- [ ] 18. Are there reported deficiencies? [ ] 19. If so, was it attached to the audit report?

General Fund Revenue:	339,245	General Fund Balance:	265,033
General Fund Expenditure:	358,675	Governmental Activities Long-Term Debt (see instructions):	-0-
Major Fund Deficit Amount:	$ 0.00		

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Last Name	Ten Digit License Number		
Calvin	Meeusen	1101006731		
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INDEPENDENT AUDITOR'S REPORT

South Haven Memorial Library
South Haven, Michigan

I have audited the accompanying financial statements of the governmental activities and the fiduciary fund of the South Haven Memorial Library, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the South Haven Memorial 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 and the fiduciary fund of the South Haven Memorial Library at June 30, 2008, and the results of the operations of such funds 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 September 2, 2008.

Calvin D. Meeusen C.P.A. PLLC

September 2, 2008

Using this Annual Report

This annual report consists of the Library's financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library and present a longer-term view of the 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 these services were financed in the short-term, as well as what remains for future spending.

The Library as a Whole

The Library's combined net assets increased less than 1% from a year ago - increasing from $811,812 to $813,047. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

	Governmental Activities	
	2008	2007
Current Assets	$273,319	$286,290
Noncurrent Assets	561,263	538,546
Total Assets	834,582	824,836
Current Liabilities	8,286	1,827
Long-Term Debt Outstanding	13,249	11,197
Total Liabilities	21,535	13,024
Net Assets		
Invested in Capital Assets-Net of Debt	561,263	538,546
Restricted	13,356	12,507
Unrestricted	238,428	260,759
Total Net Assets	$813,047	$811,812

Unrestricted net assets, which represent net assets that can be used to finance day to day operations, decreased by $22,331 for the year. This represents a decrease of approximately 9%. The current level of unrestricted net assets for our governmental activities stands at $238,428 or about 70% of operating expenditures.

The following table shows the changes of the net assets as of the current date to the prior year:

	Governmental Activities	
	2008	2007
Revenues:		
Property taxes	$ 242,084	$ 225,577
State grants	8,383	9,631
Penal fines	43,959	45,297
Contributions	17,407	20,614
Fees and book fines	10,239	10,388
Interest	10,245	8,476
Other revenue	12,028	6,549
TOTAL REVENUES	344,345	326,532
Expenses:		
Salaries and wages	164,242	152,883
Employee benefits	22,577	20,505
Payroll taxes	12,408	11,696
Supplies	10,877	6,399
Repairs and maintenance	3,209	1,709
Professional and contractual services	10,680	10,431
Insurance	3,567	4,708
Telephone	3,000	3,136
Building maintenance	11,437	16,035
Utilities	19,140	18,246
Depreciation	68,468	61,196
Miscellaneous	13,505	14,825
TOTAL EXPENSES	343,110	321,769
INCREASE IN NET ASSETS	1,235	4,763
Net Assets at July 1	811,812	807,049
Net Assets at June 30	$ 813,047	$ 811,812

The Library's net assets continue to remain healthy. The library has enough cash on hand at the end of the year to fund normal operating expenses in similar circumstances for nine months.

Governmental Activities

The Library's total revenues increased by approximately $18,000, primarily due to the increase of property taxes.

General Fund expenditures increased this year which included increases in personnel costs, supplies and utilities. Other expenses were reported as typical for the fiscal year.

The Library's Funds

An analysis of the Library's General Fund is on page 19, following the notes to the financial statements. The fund financial statements provide detail information about the most significant funds, not the Library as a whole. The Library Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Library's major fund for 2008 is the General Fund.

The General Fund pays the Library's general operating expenditures. The most significant are salaries and wages of approximately $164,000 for the fiscal year. The Fiduciary Fund activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets.

General Fund Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events during the year. Library expenditures overall stayed below budget, resulting in total expenditures of $12,734 below budget. The General Fund's fund balance decreased from $284,463 a year ago to $265,033 at June 30, 2008. Amendments to the budget were made for expenditures.

The cost of supplies increased significantly this year-especially the cost of printer toner. As the library responds to the public demand for computers - the cost of computer paper and toner also increases. An employer contribution to the MERS Pension Plan was necessary again this year. Ceiling light bulb replacement continues to be an ongoing standard maintenance expense. A new vacuum, flagpole repair, and outdoor lighting were additional expenses this year.

Capital Asset and Debt Administration

At June 30, 2008 the Library had $1,227,712 invested in a broad range of capital assets, land, buildings, books and other collections and furniture and equipment.

Economic Factors and Next Year's Budgets and Rates

Employee salaries, as well as employee benefits, including payroll taxes, increased again this year due to inflation and annual merit raises. Health insurance costs for our three full time employees have increased again this year. The State of Michigan has again experienced budgeting problems and as solutions are looked for, state aid revenue may decline.

Local utility rates - specifically water, sewer, and electric increased this year. Employee health care costs increased again this year after employees switched to a new health care provider to lower costs.

Contacting the 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 Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact us at (269) 637-2403.

South Haven Memorial Library
Governmental Funds Balance Sheet/Statement of Net Assets
June 30, 2008

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
Assets			
Cash	$ 259,431	$ -	$ 259,431
Receivables:			
Taxes	10,912	-	10,912
Due from other governmental units	2,976	-	2,976
Property, plant and equipment	-	561,263	561,263
Total assets	$ 273,319	$ 561,263	$ 834,582
Liabilities			
Accounts payable	$ 8,286	$ -	$ 8,286
Long-term debt	-	13,249	13,249
Total Liabilities	$ 8,286	$ 13,249	$ 21,535
Fund Balance/Net Assets			
Fund Balances			
Reserved	13,356	(13,356)	-
Unreserved	251,677	(251,677)	-
Total fund equities	265,033	(265,033)	-
Total liabilities and fund balance	$ 273,319		
Net Assets			
Invested in Capital Assets-Net of Related Debt		561,263	561,263
Restricted		13,356	13,356
Unrestricted		238,428	238,428
Total Net Assets		$ 813,047	$ 813,047

The accompanying notes are an integral part of this statement.

South Haven Memorial Library
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities
Year ended June 30, 2008

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
Revenues:			
Property taxes	$ 242,084		$ 242,084
State grants	8,383		8,383
Penal fines	43,959		43,959
Contributions	12,307	5,100	17,407
Fees and book fines	10,239		10,239
Interest	10,245		10,245
Other revenue	12,028		12,028
TOTAL REVENUES	339,245	5,100	344,345
Expenditures:			
Salaries and wages	162,190	2,052	164,242
Payroll taxes	12,408		12,408
Employee benefits	22,577		22,577
Books and related materials	51,454	(51,454)	-
Supplies	10,877		10,877
Repairs and maintenance	3,209		3,209
Professional and contractual services	10,680		10,680
Insurance	3,567		3,567
Telephone	3,000		3,000
Building maintenance	11,437		11,437
Utilities	19,140		19,140
Capital outlay	34,631	(34,631)	-
Depreciation	-	68,468	68,468
Miscellaneous	13,505		13,505
TOTAL EXPENDITURES	358,675	(15,565)	343,110
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(19,430)	20,665	1,235
Fund balances - July 1	284,463	527,349	811,812
Fund balances - June 30	$ 265,033	548,014	813,047

The accompanying notes are an integral part of this statement.

South Haven Memorial Library
Fiduciary Fund - Statement of Net Assets
June 30, 2008

	Expendable Trust Fund
Assets	
Cash	$ 102,199
Total Assets	$ 102,199
Net Assets	
Held in Trust for Library	$ 102,199

The accompanying notes are an integral part of this statement.

South Haven Memorial Library
Fiduciary Fund - Statement of Changes in Net Assets
Year ended June 30, 2008

	Expendable Trust Fund
Additions	
Contributions	$ 310
Interest Income	3,484
Change in Net Assets	3,794
Net Assets - July 1	98,405
Net Assets - June 30	$ 102,199

The accompanying notes are an integral part of this statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the South Haven Memorial Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the South Haven Memorial Library:

1. Reporting Entity

The South Haven Memorial Library is governed by a seven-member Board of Trustees appointed by South Haven Township and the City of South Haven. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

2. 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 South Haven Memorial 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 Library are intended to pay for those direct expenses.

Separate financial statements are provided for the Fiduciary Fund which is excluded from the government wide financial statements.

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, as are the fiduciary fund financial statements. 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 in which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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 Library.

Expendable Trust Fund - The Expendable Trust Fund is used to account for donor restricted assets that are intended to be designated for large capital expenditures and reading materials. The amount in the expendable trust fund is attributable mostly from private donations and earnings. One of the provisions was that the monies be segregated from general operating funds. Distributions from this fund can be made from principal for any qualifying expenditure as determined by the Library Board but only after a minimum balance of $100,000 is attained. The Library Board has the right to re-evaluate and change any guidelines and conditions.

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 government as assets with an initial individual cost of $2,000 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:

Buildings	55 years
Building improvements	15 - 30 years
Collections	10 years
Equipment	7 - 15 years
Furniture and Fixtures	7 - 15 years
Computer Equipment	5 years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

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

a. On or about June 1, the 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. Public hearings are conducted to obtain taxpayer comments.
c. On or about July 1, the budget is legally enacted through passage of a resolution.
d. The Library Board is authorized to transfer budgeted amounts within departments within any activities.
e. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
f. Appropriations for the general fund lapse at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by Library Board as of June 30, 2008.

6. Compensated Absences

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. No portion of unused sick leave is paid to employees at the time of termination or retirement.

7. 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 Library.

8. 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Risk Management

The South Haven Memorial 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 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.

10. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

11. Cash Equivalents

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

NOTE B - CASH

The Library's cash at June 30, 2008 was reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Fund	Total Primary Government
Cash	$ 259,431	$102,199	$ 361,630

At June 30, 2008 the carrying amount of the Library's deposits was $361,630. The bank balance of the Library's deposits was $370,348. Of the bank balance, $303,869 was covered by federal depository insurance, the remainder being uninsured.

NOTE C - CAPITAL ASSETS

Capital asset activity of the Library for the year ended June 30, 2008 was as follows:

NOTE C - CAPITAL ASSETS - CONTINUED

	Balance July 1 2007	Additions	Deletions	Balance June 30 2008
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 15,322	$ -	$ -	$ 15,322
Capital Assets Being Depreciated				
Building	515,229	-	-	515,229
Building improvements	92,972	-	-	92,972
Collections	381,924	56,554	26,691	411,787
Equipment	29,038	-	-	29,038
Furniture and Fixtures	102,912	22,499	-	125,411
Computer Equipment	36,520	12,132	10,699	37,953
Subtotal	1,158,595	91,185	37,390	1,212,390
Less Accumulated Depreciation for				
Building	319,841	9,368	-	329,209
Building improvements	44,056	5,768	-	49,824
Collections	167,104	39,685	26,691	180,098
Equipment	20,841	806	-	21,647
Furniture and Fixtures	66,905	6,733	-	73,638
Computer Equipment	16,624	6,108	10,699	12,033
Subtotal	635,371	68,468	37,390	666,449
Net Capital Assets Being Depreciated	523,224	22,717	-	545,941
Governmental Activities Capital Total Capital Assets - Net of Depreciation	$ 538,546	$ 22,717	$ -	$ 561,263

NOTE D - PENSION PLAN

The Library contributes through the City of South Haven to the Michigan Municipal Employees' Retirement System, a cost-sharing multiple employer defined benefit pension plan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The system issues a publicly available financial report. That report may be obtained by writing to the City of South Haven at 539 Phoenix Street, South Haven, Michigan.

NOTE D - PENSION PLAN - CONTINUED

The obligation to contribute to and maintain the system for these employees was established by a resolution of the Library's Board of Directors and requires no contribution from the employees. The Library is required to contribute at actuarial required rates; the current rate is 3.08% of covered payroll. The Library's contribution to the pension plan for the years ending June 30, 2008, 2007, and 2006 were $1,887, $959, and $0, respectively, and were equal to the actuarially required contributions for each year.

NOTE E - LONG-TERM DEBT

Long-term debt consists of accumulated employee benefits that represents the estimated liability to be paid governmental fund type employees under the Library's vacation pay policy. Under the Library's policy, employees can earn vacation time based on the time of service with the Library.

	Balance July 1 2007	Additions (Reductions)	Balance June 30 2008	Due Within One Year
Accumulated employee benefits	$11,197	$2,052	$13,249	$ -0-

NOTE F - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Library's actual and budgeted expenditures have been adopted on a functional basis.

This is the same basis for which the budget has been legally adopted.

During the year ended June 30, 2008, the Library incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Total Expenditures	Budget Variance
General Fund			
Supplies	$ 3,990	$ 10,877	$ 6,887
Repairs and maintenance	2,750	3,209	459
Insurance	3,342	3,567	225
Telephone	2,700	3,000	300
Building maintenance	11,207	11,437	230
Miscellaneous	4,435	13,505	9,070

NOTE G - RESTRICTED NET ASSETS

The South Haven Memorial Library has received several contributions that have stipulations on how the money can be spent. As of June 30, 2008, the balance of cash restricted by donors for particular purposes was $13,356.

REQUIRED SUPPLEMENTAL INFORMATION

South Haven Memorial Library
Budgetary Comparison Schedule-General Fund
Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	284,463	284,463	284,463	-
Resources (Inflows)				
Property taxes	220,500	220,500	242,084	21,584
State grants	3,500	3,500	8,383	4,883
Penal fines	48,000	48,000	43,959	(4,041)
Contributions	5,000	5,000	12,307	7,307
Fees and book fines	9,000	9,000	10,239	1,239
Interest	10,000	10,000	10,245	245
Other revenue	7,150	7,150	12,028	4,878
Amounts Available for Appropriation	587,613	587,613	623,708	36,095
Charges to Appropriations (Outflows)				
Salaries and wages	174,268	174,268	162,190	12,078
Employee benefits	19,425	23,155	22,577	578
Payroll taxes	13,332	13,332	12,408	924
Books and related materials	56,175	54,175	51,454	2,721
Supplies	3,990	3,990	10,877	(6,887)
Repairs and maintenance	2,050	2,750	3,209	(459)
Professional and contractual services	13,697	14,255	10,680	3,575
Insurance	3,342	3,342	3,567	(225)
Telephone	2,700	2,700	3,000	(300)
Building maintenance	18,000	11,207	11,437	(230)
Utilities	19,500	19,500	19,140	360
Capital outlay	38,800	44,300	34,631	9,669
Miscellaneous	4,400	4,435	13,505	(9,070)
Total Charges to Appropriations	369,679	371,409	358,675	12,734
Budgetary Fund Balance-June 30	217,934	216,204	265,033	48,829

The accompanying notes are an integral part of this statement.

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September 2, 2008

Members of the Library Board
South Haven Memorial Library
South Haven, Michigan

In connection with my examination of the statement of net assets of the South Haven Memorial Library as of June 30, 2008 and the related statement of activities and the fiduciary fund statements for the year then ended, I have reviewed the accounting policies and procedures employed by the 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 South Haven Memorial Library for the year ended June 30, 2008, and have issued my report thereon dated September 2, 2008. As part of my examination, I made a study and evaluation of the system of internal accounting control of the South Haven Memorial 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 or on any of the categories of controls identified above.

The management of the South Haven Memorial 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 Library taken as a whole. However, I noted certain matters that I consider to be reportable conditions 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 size of the 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 Library to provide oversight and independent review functions.

A budget is required by the State Constitution, State Statutes and is the only basis for spending. A local unit cannot overspend its adopted budget unless a change in the budget is approved by the Library Board. Any amendments to the adopted budget should be made no later than the last day of the fiscal year and any transfer of monies between funds, except those authorized by statute, should be held to an absolute minimum and should be authorized by resolution of the Library Board and recorded in the Board minutes.

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.

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,

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