

GENESEE DISTRICT LIBRARY

FLINT, MICHIGAN

AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2006

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

March 23, 2007

INDEPENDENT AUDITOR'S REPORT

To the Trustees of  
Genesee District Library

We have audited the accompanying financial statements of the governmental activities of Genesee District Library, as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Genesee 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 *Government 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 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 the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Genesee District Library as of December 31, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2006 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

The management's discussion and analysis on pages II - V is not required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Genesee District Library's basic financial statements. The accompanying other supplementary information, as identified, in the table of contents is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lewis & Knopf P.C.*  
LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

GENESEE DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006

USING THIS ANNUAL REPORT

This annual report consists of three parts: *Management's Discussion and Analysis* (this section), the *basic financial statements*, and *required supplementary information*.

- \* The statement of net assets presents the Library's operations on a full accrual basis, which provides both long, and short-term information about the Library's *overall* financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library on a longer-term view of the Library's finances.

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

CONDENSED FINANCIAL INFORMATION

The following table below shows key financial information in a condensed format:

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current Assets	\$5,282,577	\$6,191,783
Non-Current Assets	<u>818,828</u>	<u>948,675</u>
<u>TOTAL ASSETS</u>	<u>\$6,101,405</u>	<u>\$7,140,458</u>
<u>LIABILITIES</u>		
Current Liabilities	\$330,734	\$483,505
Non-Current Liabilities	<u>230,000</u>	<u>220,000</u>
Total Liabilities	\$560,734	\$703,505
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	818,828	948,675
Restricted	78,416	79,774
Unrestricted	<u>4,643,427</u>	<u>5,408,504</u>
Total Net Assets	<u>\$5,540,671</u>	<u>\$6,436,953</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$6,101,405</u>	<u>\$7,140,458</u>
<u>REVENUE</u>		
Property Taxes	\$6,663,917	\$6,377,250
Other	<u>2,067,384</u>	<u>1,983,039</u>
Total Revenue	\$8,731,301	\$8,360,289
<u>EXPENDITURES - LIBRARY SERVICES</u>	<u>9,627,583</u>	<u>9,432,258</u>
<u>CHANGE IN NET ASSETS</u>	<u>(\$896,282)</u>	<u>(\$1,071,969)</u>

GENESEE DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006

THE LIBRARY AS A WHOLE

- \* The Library is reporting financial statements this year that meet the requirements of GASB 34.
- \* The Library's primary source of revenue is from property taxes. For 2006, total tax collections were \$6,663,917. This represents approximately 76 percent of total revenue.
- \* Salaries and fringe benefits are the largest overall expenditure of the Library. For 2006, this expenditure was \$5,578,634, representing 58 percent of the Library's total expenditures. The addition of 4 part time employees, plus an average 4 percent increase in salaries contributed to an overall increase of \$321,875 over the previous year.
- \* Library materials (books, periodicals and audio visuals) of \$1,824,814 are the second largest overall expenditure of the Library, representing 19 percent of the Library's total expenditures.

THE LIBRARY'S FUND

Our analysis of the Library's Operating Fund is included on pages 1 and 2 of the respective statements.

- \* The fund balance of the Operating Fund decreased by \$862,991 for the year. This represents expenses greater than revenue.
- \* The restricted fund balance of \$78,416 consists of contributions, legacies and bequests.
- \* The Library Board has designated funds established for budget stabilization (see Note 6).

OPERATING FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

**OPERATING FUND BUDGET VS. ACTUAL**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original &amp; Final Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenues	\$8,477,400	\$8,477,400	\$8,731,301	0.00	3.00
Expenditures	10,400,950	10,434,646	9,627,583	0.32	7.73
<b>TOTAL</b>	<b><u>(\$1,923,550)</u></b>	<b><u>(\$1,957,246)</u></b>	<b><u>(\$896,282)</u></b>		

GENESEE DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

Original vs. Final Budgets

There were no significant changes in original budgets versus final budgets for both revenues and expenditures.

Actual Results vs. Final Budgets

Revenues

Interest earned was higher than anticipated.

Expenditures

Actual expenditures in various categories were less than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As a result of GASB 34 implementation, the library adopted a capitalization policy of \$1,000. Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Balance</u> <u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 2006</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment and Furniture	\$1,280,078	\$108,726	\$40,939	\$1,347,865
Leasehold Improvement	648,557	4,570	0	653,127
Totals at Historical Cost	\$1,928,635	\$113,296	\$40,939	\$2,000,992
Less: Accumulated Depreciation	(979,960)	(235,495)	(33,291)	(1,182,164)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$948,675</u>	<u>(\$122,199)</u>	<u>\$7,648</u>	<u>\$818,828</u>

Significant capital asset acquisitions consists of the purchase of computer equipment.

DEBT

A summary of the debt outstanding at the Library is as follows:

	<u>Balance</u> <u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 2006</u>
<u>Governmental Activities:</u>				
Compensated Absences	\$220,000	\$10,000	\$0	\$230,000

The compensated absences represent the estimated liability to be paid employees under the Library's vacation pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library.

MILLAGE RATES

During August, 1987, the voters of the district approved a millage, authorized by election charter, of .7895 mills. The Library levied .7563 mills and the difference between the authorized and levied is .0332 mills. The difference is because of the Headlee rollback. This millage expires on January 1, 2008.

GENESEE DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Library's 2007 adopted budget is as follows:

<u>REVENUE</u>	9,029,400
<u>EXPENDITURES</u>	<u>11,157,945</u>
<u>NET (UNDER) BUDGET</u>	<u>(\$2,128,545)</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Library's finances. If you have questions about this report or need additional information, contact the Executive Director at Genesee District Library, G-4195 W. Pasadena Avenue, Flint, MI 48504.

GENESEE DISTRICT LIBRARY  
STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$4,854,443
Accounts Receivable	390,742
Prepaid Expenses	37,392
Total Current Assets	\$5,282,577
<u>NON-CURRENT ASSETS</u>	
Capital Assets	2,000,992
Less: Accumulated Depreciation	(1,182,164)
Total Noncurrent Assets	\$818,828
<u>TOTAL ASSETS</u>	\$6,101,405
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	147,705
Accrued and Other Liabilities	16,087
Deferred Revenue	166,942
Total Current Liabilities	\$330,734
<u>LONG-TERM LIABILITIES</u>	
Compensated Absences	230,000
Total Liabilities	\$560,734
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	818,828
Restricted	78,416
Unrestricted	4,643,427
<u>TOTAL NET ASSETS</u>	\$5,540,671

See accompanying notes to the basic financial statements.



GENESEE DISTRICT LIBRARY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue &amp; Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
General Government	\$9,627,583	\$142,393	\$35,064	(\$9,450,126)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				6,663,917
State Penal Fines/Single Business Tax				430,664
State Aid				225,670
Investment Earnings				320,183
Mid Eastern Michigan Library Cooperative				86,230
Use of Contributed Facilities				747,945
Miscellaneous Revenue				79,235
Total General Revenues and Transfers				<u>\$8,553,844</u>
Change in Net Assets				(\$896,282)
Net Assets - Beginning				<u>6,436,953</u>
<u>Net Assets - Ending</u>				<u><u>\$5,540,671</u></u>

See accompanying notes to the basic financial statements.

GENESEE DISTRICT LIBRARY  
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Property Taxes	\$6,799,580	\$6,799,580	\$6,663,917	(\$135,663)
State Penal Fines/Single Business Tax	400,000	400,000	430,664	30,664
State Aid	128,000	128,000	225,670	97,670
Investment Earnings	125,000	125,000	320,183	195,183
Grants, Contributions, Legacies, and Bequests	20,000	20,000	35,064	15,064
Library Fines, Fees and Other	105,000	105,000	142,393	37,393
Mid Eastern Michigan Library Cooperative	89,820	89,820	86,230	(3,590)
Use of Contributed Facilities	760,000	760,000	747,945	(12,055)
Miscellaneous Revenue	50,000	50,000	79,235	29,235
Total Revenues	<u>\$8,477,400</u>	<u>\$8,477,400</u>	<u>\$8,731,301</u>	<u>\$253,901</u>
<u>EXPENDITURES</u>				
Salaries and Wages	4,143,745	4,168,180	3,895,658	272,522
Fringe Benefits	1,881,205	1,890,266	1,682,976	207,290
Supplies	281,000	270,500	229,640	40,860
Books	1,282,500	1,279,500	1,221,696	57,804
Periodicals	75,000	78,000	77,460	540
Audio Visual	549,000	549,000	525,658	23,342
Contractual Services	419,000	419,000	334,412	84,588
Telephone	175,000	175,000	173,826	1,174
Travel	44,000	44,200	34,691	9,509
Printing	200,000	200,000	145,915	54,085
Insurance	25,300	25,300	22,176	3,124
Utilities	40,000	40,000	35,215	4,785
Building & Maintenance	201,700	255,200	244,059	11,141
Miscellaneous	20,000	20,000	13,865	6,135
Other	1,063,500	1,020,500	990,336	30,164
Total Expenditures	<u>\$10,400,950</u>	<u>\$10,434,646</u>	<u>\$9,627,583</u>	<u>\$807,063</u>
<u>REVENUES (UNDER) EXPENDITURES</u>	<u>(\$1,923,550)</u>	<u>(\$1,957,246)</u>	<u>(\$896,282)</u>	<u>\$1,060,964</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>6,436,953</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$5,540,671</u>	

See accompanying notes to the basic financial statements.

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

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Genesee District Library was organized under the provisions of the District Library Act of the State of Michigan. The electorate created the Genesee District Library on January 1, 1980. The primary purpose of Genesee District Library is to provide support services for eighteen county locations.

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

REPORTING ENTITY

The Genesee District Library is the basic level of government that has financial accountability and control over all activities related to the Library within the geographical area known Genesee County, excluding the City of Flint. The Library receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined by GASB pronouncement. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14 which are included in the Library's reporting entity.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Library has one operating Fund.

The Operating Fund is budgeted and accounted for 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 recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. Normally, expenditures are divided between years by the recording of prepaid expenses. The prepaid expenses reported on the balance sheet represent payments made in advance for 2007 expenditures.

In addition to presenting information for the Operating Fund, the statements combine all fund activity and present information for the Library as a whole, 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Operating Fund

The operating fund represents resources over which the trustees have discretionary control and are used to carry out the operations of the organization.

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

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT AMOUNTS

CASH AND CASH EQUIVALENTS

The Library considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair market value and determined using selected bases. Short-term investments are reported at cost, which approximate fair values. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

PREPAID EXPENSES

Prepaid balances are for payments made by the Library in the current year to provide services occurring in the subsequent fiscal year.

CAPITAL ASSETS

Generally, capital assets are defined by the Library with an initial cost of more than \$1,000. Such assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred.

Depreciation on such capital assets is charged as an expense against the operations on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives (Years)</u>
Equipment and Furniture	5 - 7
Leasehold Improvements	10 - 15

Inexhaustible Collections and Books

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the library has not capitalized them.

REVENUE RECOGNITION

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Library reports any donor-restricted contributions whose restrictions are not in the same accounting period as unrestricted support.

CONTRIBUTED FACILITIES

The Library occupies certain premises, which are located in government owned buildings, without charge or at a nominal charge of \$1. The estimated fair rental value of the premises is reported as support and the corresponding expenses are shown in the period in which the premises are used. The district library does not actually own or control the seventeen county locations. The facilities belong to the local community. The Genesee District Library merely furnishes services and personnel for these various locations.

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

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES

The Library reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick and vacation leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick and vacation leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Library's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

DEFERRED REVENUE

Income is recognized as revenue as it is earned. Prepayments are recorded as deferred until the revenue is earned over the year.

INCOME TAX STATUS

The Library has been granted exemption from federal income taxes as an organization other than a private foundation under Internal Revenue Code.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2) DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

Deposits - The Board authorized the following financial institutions for the deposit of the Library's funds for the year ended December 31, 2006: Chase, Republic Bank and Citizens Bank.

**GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

2) **DEPOSITS (Continued)**

At December 31, 2006, the carrying amount of the Library's deposits, on the books was \$4,850,843. The bank balance with financial institutions classified as to risk was as follows:

Insured (FDIC or FSLIC)	\$ 300,000
Uninsured – Uncollateralized	4,550,843
	\$ 4,850,843
<b><u>TOTAL</u></b>	<b><u>\$ 4,850,843</u></b>

A significant portion of the uninsured balance is deposited in government money market accounts.

3) **CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2006, was as follows:

	Balance Jan. 1, 2006	Additions	Deductions	Balance Dec. 31, 2006
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
Equipment and Furniture	\$1,280,078	\$108,726	\$40,939	\$1,347,865
Leasehold Improvements	648,557	4,570	0	653,127
Total Capital Assets	\$1,928,635	\$113,296	\$40,939	\$2,000,992
Less: Accumulated Depreciation	(979,960)	(235,495)	(33,291)	(1,182,164)
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
<b><u>CAPITAL ASSETS - NET</u></b>	\$948,675	(\$122,199)	\$7,648	\$818,828

Depreciation expense was \$235,495 for the year ended December 31, 2006.

4) **LONG-TERM DEBT**

A summary of the debt outstanding at the Library is as follows:

	Balance Jan. 1, 2006	Additions	Deductions	Balance Dec. 31, 2006
<b>Governmental Activities:</b>				
Compensated Absences	\$220,000	\$10,000	\$0	\$230,000

The compensated absences represent the estimated liability to be paid to employees under various sick and vacation pay contracts. Under the Library's various contracts, employees earn vacation and sick time based on time of service with the Library.

5) **RESTRICTED NET ASSETS**

Changes in restricted net assets are summarized below:

Balance – Beginning	\$ 79,774
Additions	
Contributions, Legacies and Bequests	18,732
Total	\$ 98,506
Deductions - Funds Expended During the Year	20,090
<b><u>BALANCE – ENDING</u></b>	<b><u>\$ 78,416</u></b>

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

6) DESIGNATED FUND BALANCE

With the implementation of GASB 34, designated fund balance is not presented on the financial statements but the board of directors have made some designations as of December 31, 2006. They are as follows:

Equipment Fund	\$ 1,134,200
Election Fund	100,000
LSCA Title II (20 year/2014, HQ Building Grant)	101,250
Retirement Reduction Fund	880,000
Retiree Health Care Premium Fund (See Note 9)	<u>2,300,000</u>
 <u>TOTAL</u>	 <u>\$ 4,515,450</u>

7) LEASE

The Library leases space at the Genesee Valley Mall. On October 1, 2004 the Library signed a new three-year which expires on September 30, 2007. Monthly rent is \$2,200 per month. Future obligations are as follows:

2007	<u>\$ 19,800</u>
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The Library also leases various pieces of branch and office equipment including multiple copy machines. The future obligations for the copiers are as follows:

2007	\$ 18,636
2008	18,636
2009	18,636
2010	<u>8,396</u>
 <u>TOTAL</u>	 <u>\$ 64,304</u>

8) DEFINED BENEFIT PENSION PLAN

The Library has a defined benefit pension plan covering substantially all employees. The plan is operated by the Genesee County Retirement System (GRS), which is an agent multiple-employer public employee retirement system (PERS). The pension plan provides retirement, survivor and disability benefits. Separate financial statements for the Library are prepared by GRS on an annual basis.

Most of the Library employees are eligible to participate in the GRS. Employees hired on or after January 1, 1998, shall be required to contribute 1.0% of their gross compensation for each payroll period to the Retirement System. Employees hired prior to January 1, 1998, shall be required to contribute 0.5% of their gross compensation for each payroll period to the Retirement System. A basic plan member, hired before July 1, 1995, may retire at age 60 with 8 or more years of credited service. A basic plan member, hired after July 1, 1995, may retire at age 60 with 12 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to the final average compensation (FAC) times the sum of a) 2.3% for the first 25 years of service plus b) 1.0% for years of service in excess of 25 years. Maximum employer financed portion is 60% of FAC. Final average compensation is the employee's average salary over the last highest 5 years out of the last 10 years of credited service. For 6 administration employees FAC is the highest 2 years.

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

8) DEFINED BENEFIT PENSION PLAN (Continued)

The Library's current year covered payroll and its total current year payroll for all employees amounted to \$3,561,313 and \$3,870,889, respectively.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of the projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the GRS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among GRS and employers. The GRS makes separate measurements of assets and pension benefit obligation for individual municipalities. The pension benefit obligation at December 31, 2005 (latest reporting date available) for the Library, determined through an actuarial valuation performed as of that date, was \$11,949,406. The benefit obligation is for vested and nonvested current employees. The Library's net assets available for benefits on that date (valued at cost) were \$11,903,645, leaving an overfunded pension benefit obligation of \$45,761. The Library made contributions of \$321,451 for the year ended December 31, 2006. The investment return rate and pay increase assumption used in making the actuarial valuation was 8%. The Library funding policy is to contribute annually an amount sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Library may determine to be appropriate. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligations.

Ten year historical trend information showing the GRS's progress in accumulating sufficient assets to pay benefits when due is presented in the December 31, 2005 comprehensive annual financial report. Three year historical trend information is as follows:

VALUATION DATE	NET ASSETS AVAILABLE FOR BENEFITS	PENSION BENEFIT OBLIGATION	PERCENT FUNDED	AMOUNT
12-31-03	\$ 405,218,225	\$ 433,147,789	93.6%	\$ 27,929,564
12-31-04	404,492,706	458,068,584	88.3%	53,575,878
12-31-05	412,739,593	467,582,019	88.3%	54,842,426

9) POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the library provides post retirement health care benefits to employees who retire after attaining at least 25 years of service. Employee with less than twenty-five (25) years of credited service who retire at sixty (60) years of age or older, but who were hired after July 1, 1995, shall be eligible for eighty (80%) percent employer paid health insurance coverage. The employee portion of the cost for health insurance coverage shall offset the annual employee maximum for such increases in health insurance premiums on a dollar-for-dollar basis. Employees who retired from active employment with employer between January 1, 1998 and December 31, 2002 shall be eligible for full employer paid health insurance coverage; provided that they pay fifty (50%) of any increase in health insurance premiums, up to an annual maximum of \$460. Employee retired after December 31, 2005, must pay fifty (50%) of any increase in health insurance premiums, up to an annual maximum of \$600. Currently 26 retirees meet those requirements and 25 are receiving medical insurance coverage. The library is accounting for the expense on a pay-as-you-go-basis. The medical insurance premiums are 100% paid by the library and amounted to \$23,630 per month, or \$283,555 for the 2006 year. The library is in the process of establishing a funded post retirement healthcare plan through Genesee County Retirement System.



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

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10) ECONOMIC DEPENDENCY

The library receives a substantial amount of its support from state and local governments. A significant reduction in the level of this support may have an effect on the library's programs and activities. The library's voter approved tax millage expired December 31, 2006.

INDIVIDUAL FUND SCHEDULES OF  
EXPENDITURES

GENESEE DISTRICT LIBRARY  
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b><u>SALARIES</u></b>				
Salary - Administration	\$676,400	\$675,667	\$630,525	\$45,142
Salary - Full Time	2,605,700	2,605,700	2,523,707	81,993
Salary - Part Time	240,200	265,368	236,307	29,061
Salary - Temporary	54,845	54,845	139	54,706
Salary - Overtime	120,000	120,000	105,543	14,457
Salary - Shelves	355,430	355,430	309,437	45,993
Longevity	91,170	91,170	90,000	1,170
Total Salaries	<u>\$4,143,745</u>	<u>\$4,168,180</u>	<u>\$3,895,658</u>	<u>\$272,522</u>
<b><u>FRINGE BENEFITS</u></b>				
Social Security	320,437	322,306	297,300	25,006
Retirement	337,187	339,374	321,451	17,923
Medical Insurance	1,000,172	998,381	882,275	116,106
Dental Insurance	69,630	70,550	54,694	15,856
Life and Disability	58,917	65,000	62,230	2,770
Worker's Compensation	13,898	14,030	6,109	7,921
Unemployment	15,000	15,136	4,911	10,225
Optical Insurance	20,364	18,889	12,979	5,910
Educational Reimbursement	15,600	15,600	10,560	5,040
Annuity Expenditure	30,000	31,000	30,467	533
Total Fringe Benefits	<u>\$1,881,205</u>	<u>\$1,890,266</u>	<u>\$1,682,976</u>	<u>\$207,290</u>
<b><u>SUPPLIES</u></b>				
Office Supplies	15,000	6,500	6,037	463
Operating Expenditures	200,000	198,000	187,022	10,978
Postage and Shipping	66,000	66,000	36,581	29,419
Total Supplies	<u>\$281,000</u>	<u>\$270,500</u>	<u>\$229,640</u>	<u>\$40,860</u>
<b><u>BOOKS</u></b>				
Books - Documents and Pamphlets	2,500	2,500	2,500	0
Books - E Books	15,000	17,000	15,637	1,363
Books - Paperbacks	45,000	45,000	40,621	4,379
Books - Reference	415,000	415,000	407,760	7,240
Books - Restricted	20,000	20,000	19,828	172
Books - System	785,000	780,000	735,350	44,650
Total Books	<u>\$1,282,500</u>	<u>\$1,279,500</u>	<u>\$1,221,696</u>	<u>\$57,804</u>
<b><u>PERIODICALS</u></b>				
Magazines and Newspapers	75,000	78,000	77,460	540
<b><u>AUDIO - VISUAL</u></b>				
CD's and Videocassettes	35,000	35,000	31,521	3,479
A-V Microfilm - Materials	14,000	14,000	12,838	1,162
Digital Video Disks	350,000	348,000	329,618	18,382
Audio Cassettes	150,000	152,000	151,681	319
Total Audio - Visual	<u>\$549,000</u>	<u>\$549,000</u>	<u>\$525,658</u>	<u>\$23,342</u>

GENESEE DISTRICT LIBRARY  
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<u>CONTRACTUAL SERVICES</u>				
Attorney	\$30,000	\$33,200	\$29,960	\$3,240
Payroll	9,000	10,500	9,028	1,472
Auditor	8,000	8,000	7,000	1,000
Consultant	15,000	10,300	10,300	0
Programming	215,000	215,000	160,844	54,156
Software	50,000	50,000	40,908	9,092
Staff Development	12,000	12,000	10,488	1,512
O.C.L.C. and M.L.C.	80,000	80,000	65,884	14,116
Total Contractual Services	<u>\$419,000</u>	<u>\$419,000</u>	<u>\$334,412</u>	<u>\$84,588</u>
<u>TELEPHONE</u>				
Telephone	175,000	175,000	173,826	1,174
<u>TRAVEL</u>				
Travel - Regular	21,000	21,200	18,491	2,709
Travel - Workshop	20,000	20,000	13,932	6,068
Gas and Oil	3,000	3,000	2,268	732
Total Travel	<u>\$44,000</u>	<u>\$44,200</u>	<u>\$34,691</u>	<u>\$9,509</u>
<u>PRINTING AND ADVERTISING</u>				
Public Relations	65,000	100,000	93,823	6,177
Printing and Publishing	50,000	50,000	37,820	12,180
Events, Sponsorships, and Themes	80,000	45,000	13,888	31,112
Advertising	5,000	5,000	384	4,616
Total Printing and Advertising	<u>\$200,000</u>	<u>\$200,000</u>	<u>\$145,915</u>	<u>\$54,085</u>
<u>INSURANCE</u>				
Building and Contents	13,900	13,900	11,815	2,085
Liability and Bonds	8,600	8,600	8,291	309
Automobile Insurance	2,800	2,800	2,070	730
Total Insurance	<u>\$25,300</u>	<u>\$25,300</u>	<u>\$22,176</u>	<u>\$3,124</u>
<u>UTILITIES</u>				
Public Utilities	40,000	40,000	35,215	4,785
<u>BUILDING AND MAINTENANCE</u>				
Equipment Repairs and Maintenance	10,000	5,000	4,005	995
Equipment Service Contracts	47,200	87,200	83,394	3,806
Equipment Lease	33,500	42,000	38,845	3,155
Building Repairs and Maintenance	17,000	11,000	9,193	1,807
Building Service Contracts	80,000	89,000	87,961	1,039
Building Supplies	4,000	6,000	5,669	331
Computer Parts and Supplies	10,000	15,000	14,992	8
Total Building and Maintenance	<u>\$201,700</u>	<u>\$255,200</u>	<u>\$244,059</u>	<u>\$11,141</u>

GENESEE DISTRICT LIBRARY  
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>MISCELLANEOUS</u>				
Rent	\$6,000	\$6,000	\$4,013	\$1,987
Binding	500	500	0	500
Refunds	2,000	2,000	2,000	0
Memberships	5,500	5,500	3,399	2,101
Director's Business Expenditure	1,000	1,000	372	628
Board Expenditure	5,000	5,000	4,081	919
Total Miscellaneous	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$13,865</u>	<u>\$6,135</u>
<u>OTHER</u>				
Contributed Facilities	760,000	760,000	747,945	12,055
Depreciation and Disposal	303,500	260,500	242,391	18,109
Total Other	<u>\$1,063,500</u>	<u>\$1,020,500</u>	<u>\$990,336</u>	<u>\$30,164</u>
<u>TOTAL OPERATING EXPENDITURES</u>	<u>\$10,400,950</u>	<u>\$10,434,646</u>	<u>\$9,627,583</u>	<u>\$807,063</u>



March 23, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of  
The Genesee District Library

We have audited the accompanying financial statements of the governmental activities of Genesee District Library, as of and for the year ended December 31, 2006, and have issued our report thereon dated March 23, 2007. 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 *Government Auditing Standards*, d issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Genesee District Library's internal control over financial reporting 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 Genesee District Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Genesee District Library's internal control over financial reporting.

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

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 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. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

1. Management and accounting personnel lack the skills and knowledge necessary to apply generally accepted accounting principles in recording the entity's financial transactions in order to prepare its financial statements.

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.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Genesee District Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

*Lewis + Knopf PC*  
LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS