

GENESEE DISTRICT LIBRARY

FLINT, MICHIGAN

AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2009

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April 8, 2010

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, 2009. 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, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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.
CERTIFIED PUBLIC ACCOUNTANTS

GENESEE DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

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:

	2009	2008
<u>ASSETS</u>		
Current Assets	\$2,447,303	\$3,045,610
Non-Current Assets	407,163	600,155
 <u>TOTAL ASSETS</u>	 \$2,854,466	 \$3,645,765
 <u>LIABILITIES</u>		
Current Liabilities	\$199,006	\$255,481
Non-Current Liabilities	1,490,788	270,000
Total Liabilities	\$1,689,794	\$525,481
 <u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	407,163	600,155
Restricted	61,821	70,465
Unrestricted - As Restated	695,688	2,449,664
Total Net Assets	\$1,164,672	\$3,120,284
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 \$2,854,466	 \$3,645,765
 <u>REVENUE</u>		
Property Taxes	\$7,443,443	\$7,314,601
Other	1,775,743	1,964,597
Total Revenue	\$9,219,186	\$9,279,198
 <u>EXPENDITURES - LIBRARY SERVICES</u>	 10,379,785	 10,556,458
 <u>CHANGE IN NET ASSETS</u>	 (\$1,160,599)	 (\$1,277,260)

GENESEE DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 2009, total tax collections were \$7,443,443. This represents approximately 81 percent of total revenue.
- * Salaries and fringe benefits are the largest overall expenditure of the Library. For 2009, this expenditure was \$6,498,783, representing 63 percent of the Library's total expenditures.
- * Library materials (books, periodicals and audio visuals) of \$1,648,368 are the second largest overall expenditure of the Library, representing 16 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 \$1,160,599 for the year. This represents expenses greater than revenue and the recognition of Other Post-employment Benefits (OPEB). The OPEB liability is \$1,270,788. The excess expenditures over revenues was determined by the Genesee District Library board to reduce reserves.
- * The restricted fund balance of \$61,821 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>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenues	\$9,274,200	\$9,171,700	\$9,219,186	1.12	0.52
Expenditures	10,967,200	10,852,200	10,379,785	1.06	4.35
<u>TOTAL</u>	<u>(\$1,693,000)</u>	<u>(\$1,680,500)</u>	<u>(\$1,160,599)</u>		

GENESEE DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Original vs. Final Budgets

Changes to the original and final budgets are due to reduced property tax revenue, State Aid revenue and investment revenue.

Actual Results vs. Final Budgets

Revenues

Property tax revenue, State Aid revenue and investment revenues were less than anticipated.

Expenditures

Actual expenditures in various categories were less due to reduction in staff and other cost cutting measures. Also included was the additional expenses for the recognition of the Other Post-employment Benefits (OPEB) liability.

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, 2009, was as follows:

	<u>Balance</u> <u>Jan. 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment and Furniture	\$1,510,570	\$39,959	\$20,438	\$1,530,091
Leasehold Improvement	681,832	0	0	681,832
Totals at Historical Cost	<u>\$2,192,402</u>	<u>\$39,959</u>	<u>\$20,438</u>	<u>\$2,211,923</u>
Less: Accumulated Depreciation	<u>(1,592,247)</u>	<u>(230,281)</u>	<u>(17,768)</u>	<u>(1,804,760)</u>
 <u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$600,155</u>	<u>(\$190,322)</u>	<u>\$2,670</u>	<u>\$407,163</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, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
<u>Governmental Activities:</u>				
Compensated Absences	<u>\$270,000</u>	<u>\$0</u>	<u>\$50,000</u>	<u>\$220,000</u>

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

MILLAGE RATES

During 2007, the voters of the district approved a millage, authorized by election charter, of .7481 mills for a period of ten years.

GENESEE DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Library's 2010 adopted budget is as follows:

REVENUE	\$10,157,200
<u>EXPENDITURES</u>	<u>10,157,200</u>
<u>NET (UNDER) BUDGET</u>	<u><u>\$0</u></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, 2009

	Governmental Activities
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$1,999,386
Accounts Receivable	431,513
Prepaid Expenses	16,404
Total Current Assets	\$2,447,303
<u>NON-CURRENT ASSETS</u>	
Capital Assets	2,211,923
Less: Accumulated Depreciation	(1,804,760)
Total Noncurrent Assets	\$407,163
<u>TOTAL ASSETS</u>	\$2,854,466
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$110,457
Accrued and Other Liabilities	20,228
Deferred Revenue	68,321
Total Current Liabilities	\$199,006
<u>NON-CURRENT LIABILITIES</u>	
Compensated Absences	220,000
Net OPEB Obligation	1,270,788
Total Non-Current Liabilities	\$1,490,788
Total Liabilities	\$1,689,794
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	407,163
Restricted	61,821
Unrestricted	695,688
Total Net Assets	\$1,164,672
<u>TOTAL NET ASSETS</u>	\$2,854,466

See accompanying notes to the basic financial statements.

GENESEE DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
General Government	\$10,379,785	\$249,402	\$39,350	(\$10,091,033)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				7,443,443
State Penal Fines				450,280
State Aid				145,160
Investment Earnings				19,011
Use of Contributed Facilities				760,000
Miscellaneous Revenue				112,540
Total General Revenues and Transfers				<u>\$8,930,434</u>
Change in Net Assets				<u>(\$1,160,599)</u>
Net Assets - Beginning - as Restated				<u>2,325,271</u>
<u>Net Assets - Ending</u>				<u><u>\$1,164,672</u></u>

See accompanying notes to the basic financial statements.

GENESEE DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Property Taxes	\$7,502,200	\$7,432,200	\$7,443,443	\$11,243
State Penal Fines/Single Business Tax	400,000	450,000	450,280	280
State Aid	148,000	145,000	145,160	160
Investment Earnings	200,000	17,000	19,011	2,011
Grants, Contributions, Legacies, and Bequests	20,000	27,500	39,350	11,850
Library Fines, Fees and Other	244,000	340,000	361,942	21,942
Use of Contributed Facilities	760,000	760,000	760,000	0
Total Revenues	<u>\$9,274,200</u>	<u>\$9,171,700</u>	<u>\$9,219,186</u>	<u>\$47,486</u>
<u>EXPENDITURES</u>				
Salaries and Wages	4,575,800	4,461,900	4,273,767	188,133
Fringe Benefits	1,886,000	1,860,800	2,225,016	(364,216)
Supplies	295,000	295,000	205,396	89,604
Books	1,267,500	1,255,000	1,128,300	126,700
Periodicals	80,000	75,000	62,958	12,042
Audio Visual	564,500	564,500	458,110	106,390
Contractual Services	499,000	498,100	289,549	208,551
Telephone	222,000	222,000	211,886	10,114
Travel	56,000	53,500	43,333	10,167
Printing	185,500	185,500	150,249	35,251
Insurance	24,800	24,800	20,425	4,375
Utilities	45,000	45,000	39,693	5,307
Building & Maintenance	243,500	243,500	240,717	2,783
Miscellaneous	17,600	17,600	11,245	6,355
Other	1,005,000	1,050,000	1,019,141	30,859
Total Expenditures	<u>\$10,967,200</u>	<u>\$10,852,200</u>	<u>\$10,379,785</u>	<u>\$472,415</u>
<u>REVENUES (UNDER) EXPENDITURES</u>	<u>(\$1,693,000)</u>	<u>(\$1,680,500)</u>	(\$1,160,599)	<u>\$519,901</u>
<u>FUND BALANCE - BEGINNING OF YEAR - AS RESTATED</u>			<u>\$2,325,271</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$1,164,672</u>	

See accompanying notes to the basic financial statements.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 nineteen 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 2010 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, 2009

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. 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 locations. The Genesee District Library furnishes services and personnel for these various locations.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 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.

NET OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

In year 2009, the Library implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." This pronouncement requires the Library to calculate and recognize a net other post-employment benefit obligation (NOPEBO) at December 31, 2009. The NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since January 1, 2009. The Library makes annual contributions based upon committee decisions.

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) and the National Credit Union Administration (NCUA).

Deposits - The Board authorized the following financial institutions for the deposit of the Library's funds for the year ended December 31, 2009: Chase Bank, Citizens Bank, Security Federal Credit Union, ELGA Credit Union, Bank of America, Dort Federal Credit Union and Chemical Bank.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

2) DEPOSITS (Continued)

At December 31, 2009, the carrying amount of the Library's deposits, on the books was \$1,999,386. The bank balance with financial institutions classified as to risk was as follows:

Insured (FDIC or FSLIC)	\$ 1,241,214
Uninsured – Uncollateralized	<u>853,435</u>
 <u>TOTAL</u>	 <u>\$ 2,094,649</u>

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, 2009, was as follows:

	Balance Jan. 1, 2009	Additions	Deductions	Balance Dec. 31, 2009
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment and Furniture	\$1,510,570	\$39,959	\$20,438	\$1,530,091
Leasehold Improvement	<u>681,832</u>	<u>0</u>	<u>0</u>	<u>681,832</u>
Totals at Historical Cost	\$2,192,402	\$39,959	\$20,438	\$2,211,923
Less: Accumulated Depreciation	<u>(1,592,247)</u>	<u>(230,281)</u>	<u>(17,768)</u>	<u>(1,804,760)</u>
 <u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$600,155</u>	<u>(\$190,322)</u>	<u>\$2,670</u>	<u>\$407,163</u>

Depreciation expense was \$230,281 for the year ended December 31, 2009.

4) LONG-TERM DEBT

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

	Balance Jan. 1, 2009	Additions	Deductions	Balance Dec. 31, 2009
<u>Governmental Activities:</u>				
Compensated Absences	<u>\$270,000</u>	<u>\$0</u>	<u>\$50,000</u>	<u>\$220,000</u>

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	\$ 70,465
Additions	
Contributions, Legacies and Bequests	<u>19,885</u>
Total	\$ 90,350
Deductions - Funds Expended During the Year	<u>28,529</u>
 <u>BALANCE – ENDING</u>	 <u>\$ 61,821</u>

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009. They are as follows:

Equipment Fund	\$ 302,600
Election Fund	1
LSCA Title II (20 year/2014, HQ Building Grant)	101,250
 <u>TOTAL</u>	 \$ 403,851

7) LEASE

The Library leases various pieces of branch and office equipment including multiple copy machines. The Library also has a lease with Genesee Valley Partners, LP. The branch is located within Genesee Valley Center, Flint, MI. Monthly lease payments are \$2,313.17. The lease expires on July 31, 2013.

The future obligations are as follows:

2010	\$ 36,154
2011	27,746
2012	27,746
2013	16,185
 <u>TOTAL</u>	 \$ 107,831

The Library is currently in negotiations with Xerox Corporation to renew the leases.

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 Employees Retirement System (GCERS), 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 GCERS on an annual basis.

Most of the Library employees are eligible to participate in the GCERS. 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 3 administration employees FAC is the highest 2 years.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

8) DEFINED BENEFIT PENSION PLAN (Continued)

The Library's current year covered payroll and its total current year payroll for all employees amounted to \$3,859,331 and \$4,273,766, 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 GCERS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among GCERS and employers. The GCERS makes separate measurements of assets and pension benefit obligation for individual municipalities. The pension benefit obligation at December 31, 2008 (latest reporting date available) for the Library, determined through an actuarial valuation performed as of that date, was \$14,391,159. 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 \$14,135,031, leaving an underfunded pension benefit obligation of \$(256,128). The Library made contributions of \$333,088 for the year ended December 31, 2009. The investment return rate and pay increase assumption used in making the actuarial valuation was 11.64%. 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 GCERS's progress in accumulating sufficient assets to pay benefits when due is presented in the December 31, 2008 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
12-31-06	\$ 445,962,000	\$ 490,335,000	91.0%	\$ 44,373,000
12-31-07	461,349,321	514,859,339	89.6%	53,510,018
12-31-08	439,812,757	527,639,697	83.4%	87,826,940

9) OTHER POST-EMPLOYMENT BENEFITS PLAN

The Library provides post-employment insurance benefits to certain eligible employees through a single-employer defined benefit plan administered by the Library. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the Library.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

9) OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Library's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the Library, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Nos. 43 and 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Library's net OPEB obligation to the plan:

Annual Required Contribution	\$800,436
Interest on Net OPEB Obligation	55,651
Adjustment to Annual Required Contribution	<u>(76,920)</u>
Annual OPEB Cost (Expense)	\$779,167
Contributions Made	<u>(303,392)</u>
Increase in Net OPEB Obligation	\$475,775
 Net OPEB Obligation - Beginning of Year	 <u>795,013</u>
 Net OPEB Obligation - End of Year	 <u><u>\$1,270,788</u></u>

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Change in Net OPEB Obligation	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2007	\$631,947	\$259,767	\$372,180	35%	\$372,180
2008	702,236	279,403	422,833	40%	795,013
2009	779,167	303,392	475,775	39%	1,270,788

Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,270,788 and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$1,270,788.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

9) OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued)

Actuarial Methods and Assumptions (Continued)

In the December 31, 2007, actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions include: a 7% discount rate; an initial inflation rate of 10% with an ultimate rate of return of 5% by 2012. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at December 31, 2007 was 30 years.

10) FUND BALANCE RESTATEMENT

The District had implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions.*" The District has restated the fund balance for the OPEB liability beginning January 1, 2009.

Net Assets - Beginning	\$3,120,284
Adjustment Due to Recording OPEB	<u>(795,013)</u>
Net Assets - Beginning - as Restated	<u>\$2,325,271</u>

11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 8, 2010, the date on which the financial statements were available to be issued.

INDIVIDUAL FUND SCHEDULES OF
EXPENDITURES

GENESEE DISTRICT LIBRARY
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<u>SALARIES</u>				
Salary - Administration	\$653,500	\$657,000	\$625,241	\$31,759
Salary - Full Time	2,902,000	2,839,000	2,734,621	104,379
Salary - Part Time	326,200	302,800	298,470	4,330
Salary - Temporary	10,000	6,400	4,488	1,912
Salary - Overtime	145,000	145,000	100,199	44,801
Salary - Shelves	437,800	410,400	409,948	452
Longevity	101,300	101,300	100,800	500
Total Salaries	\$4,575,800	\$4,461,900	\$4,273,767	\$188,133
<u>FRINGE BENEFITS</u>				
Social Security	355,000	346,200	327,951	18,249
Retirement	354,200	347,700	333,088	14,612
Medical Insurance	963,400	942,600	903,764	38,836
Dental Insurance	71,800	79,300	71,958	7,342
Life and Disability	42,600	41,400	40,240	1,160
Worker's Compensation	25,000	23,800	7,960	15,840
Unemployment	18,000	19,800	12,661	7,139
Optical Insurance	13,400	15,400	14,180	1,220
Educational Reimbursemen	7,000	7,000	3,489	3,511
Annuity Expenditure	35,600	37,600	33,950	3,650
Healthcare - OPEB	0	0	475,775	(475,775)
Total Fringe Benefits	\$1,886,000	\$1,860,800	\$2,225,016	(\$364,216)
<u>SUPPLIES</u>				
Office Supplies	5,000	7,000	6,383	617
Operating Expenditures	250,000	248,000	164,093	83,907
Postage and Shipping	40,000	40,000	34,920	5,080
Total Supplies	\$295,000	\$295,000	\$205,396	\$89,604
<u>BOOKS</u>				
Books - Governmental Document	2,500	2,500	0	2,500
Books - E Books	30,000	30,000	3,059	26,941
Books - Paperbacks	44,500	44,500	37,899	6,601
Books - Reference	405,000	385,000	324,010	60,990
Books - System	785,500	793,000	763,332	29,668
Total Books	\$1,267,500	\$1,255,000	\$1,128,300	\$126,700
<u>PERIODICALS</u>				
Magazines and Newspapers	80,000	75,000	62,958	12,042
<u>AUDIO - VISUAL</u>				
CD's and Video Media	75,000	75,000	57,761	17,239
A-V Microfilm - Materials	14,000	14,000	4,652	9,348
Digital Video Disks	300,500	300,500	295,607	4,893
Audio Media	175,000	175,000	100,090	74,910
Total Audio - Visual	\$564,500	\$564,500	\$458,110	\$106,390

GENESEE DISTRICT LIBRARY
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<u>CONTRACTUAL SERVICES</u>				
Attorney	\$35,000	\$35,000	\$30,525	\$4,475
Payroll	12,000	12,000	8,643	3,357
Auditor	10,000	10,000	8,400	1,600
Consultant	15,000	15,000	0	15,000
Programming	180,000	180,000	90,752	89,248
Software	93,000	93,000	47,895	45,105
Staff Development	14,000	13,100	6,488	6,612
Collection Costs	50,000	50,000	43,865	6,135
O.C.L.C. and M.L.C.	90,000	90,000	52,981	37,019
Total Contractual Services	\$499,000	\$498,100	\$289,549	\$208,551
<u>TELEPHONE</u>				
Telephone	222,000	222,000	211,886	10,114
<u>TRAVEL</u>				
Travel - Regular	32,000	32,000	27,575	4,425
Travel - Workshop	18,000	15,500	12,199	3,301
Gas and Oil	6,000	6,000	3,559	2,441
Total Travel	\$56,000	\$53,500	\$43,333	\$10,167
<u>PRINTING AND ADVERTISING</u>				
Public Relations	75,000	75,000	73,349	1,651
Printing and Publishing	60,000	60,000	29,495	30,505
Events, Sponsorships, and Themes	50,000	50,000	47,355	2,645
Advertising	500	500	50	450
Total Printing and Advertising	\$185,500	\$185,500	\$150,249	\$35,251
<u>INSURANCE</u>				
Building and Contents	12,000	12,000	9,343	2,657
Liability and Bonds	10,000	10,000	9,255	745
Automobile Insurance	2,800	2,800	1,827	973
Total Insurance	\$24,800	\$24,800	\$20,425	\$4,375
<u>UTILITIES</u>				
Public Utilities	45,000	45,000	39,693	5,307
<u>BUILDING AND MAINTENANCE</u>				
Equipment Repairs and Maintenance	12,000	11,000	9,921	1,079
Equipment Service Contracts	52,000	65,000	64,882	118
Equipment Lease	55,000	40,000	39,567	433
Building Repairs and Maintenance	14,000	13,000	12,557	443
Building Service Contracts	99,500	103,800	103,799	1
Building Supplies	5,000	5,000	4,309	691
Computer Parts and Supplies	6,000	5,700	5,682	18
Total Building and Maintenance	\$243,500	\$243,500	\$240,717	\$2,783

GENESEE DISTRICT LIBRARY
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>MISCELLANEOUS</u>				
Rent	\$3,000	\$3,000	\$2,983	\$17
Binding	200	200	0	200
Refunds	5,000	5,000	3,954	1,046
Memberships	4,400	4,400	2,800	1,600
Director's Business Expenditure	1,000	1,000	148	852
Board Expenditure	4,000	4,000	1,360	2,640
Total Miscellaneous	<u>\$17,600</u>	<u>\$17,600</u>	<u>\$11,245</u>	<u>\$6,355</u>
<u>OTHER</u>				
Contributed Facilities	760,000	760,000	760,000	0
Depreciation and Disposal	225,000	250,000	230,611	19,389
Gift and Grant Expenditures	20,000	40,000	28,530	11,470
Total Other	<u>\$1,005,000</u>	<u>\$1,050,000</u>	<u>\$1,019,141</u>	<u>\$30,859</u>
<u>TOTAL OPERATING EXPENDITURES</u>	<u>\$10,967,200</u>	<u>\$10,852,200</u>	<u>\$10,379,785</u>	<u>\$472,415</u>



April 8, 2010

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 Trustees of
Genesee District Library

We have audited the financial statements of the governmental activities of Genesee District Library, as of and for the year ended December 31, 2009, which collectively comprise the Genesee District Library's basic financial statements and have issued our report thereon dated April 8, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Genesee District Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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.

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 Genesee District Library'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 Genesee District Library's financial statements that is more than inconsequential will not be prevented or detected by the Genesee District Library'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 Genesee District Library's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Genesee District Library
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April 8, 2010

This report is intended solely for the information and use of management, Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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