

Flint Public Library

**Financial Report
with Supplemental Information
June 30, 2014**

Flint Public Library

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12-13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet to the Statement of Net Position	15
Statement of Revenue, Expenditures, and Changes in Fund Balance	16
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	17
Notes to Financial Statements	18-33
Required Supplemental Information	34
Budgetary Comparison Schedule - General Fund	35
Pension System Schedule	36

Independent Auditor's Report

To the Board of Directors
Flint Public Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the discretely presented component unit of the Flint Public Library as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Flint Public Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors
Flint Public Library

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the discretely presented component unit of the Flint Public Library as of June 30, 2014, and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the basic financial statements, in 2014, the Library adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, certain balances are reported as deferred inflows, rather than as a liability. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, and the pension system schedule, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plante & Morse, PLLC

October 10, 2014

Flint Public Library

Management's Discussion and Analysis

This section of Flint Public Library's (the "Library") annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the Library's financial statements, which follow this section.

Financial Highlights

The highlights of the financial statements as presented are as follows:

- The Library's primary source of revenue is from property taxes. For 2014, total tax collections were \$2,471,582, which includes the renaissance zone credit reimbursement of \$60,933. This represents approximately 89 percent of total revenue.
- The Library received two grants for operations in 2014. A grant of \$300,000 was received from the C. S. Mott Foundation for general operations and a grant was received from the Marin Community Foundation as recommended by the Ruth Mott Foundation for general operations. The grants represent approximately 14 percent of total revenue.
- Personnel costs are the largest overall expenditure of the Library. For 2014, salaries, benefits, and taxes totaled \$2,339,505 after full accrual basis adjustments, representing approximately 71 percent of the Library's total expenditures.
- Library materials (e.g., books, CDs, DVDs, electronic databases, etc.) of \$175,276 are one of the largest overall expenditures of the Library. This represents approximately 5 percent of the Library's total expenditures.
- Total expenditures for the entire year before depreciation were \$3,183,230.
- The Library's net position increased by \$189,518 during the year ended June 30, 2014. Depreciation expense was \$331,976.

Government-wide Statements

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Library's net position and how it has changed. Net position - the difference between the Library's assets and liabilities - is one way to measure the Library's financial health or position.

- Over time, increases or decreases in the Library's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Library, you need to consider additional nonfinancial factors such as changes in the Library's property tax base.

Flint Public Library

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information.

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 supplemental information that presents a schedule of the operating budget as originally adopted, the amended budget, and compares the amended budget with actual results. The budget presented does not include the development revenue or expenses. This information will be utilized by the Library's administration to help forecast future budgetary revenue and expenditures.

Governmental Activities

Financial Analysis of the Library as a Whole

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities by approximately \$4.5 million at the close of the most recent fiscal year (see table below).

	Governmental Activities				Percent Change
	2012	2013	2014	Change	
Assets					
Other assets	\$ 2,108,826	\$ 1,872,045	\$ 2,314,183	\$ 442,138	24%
Capital assets	3,145,011	3,078,119	2,842,400	(235,719)	-8%
Total assets	5,253,837	4,950,164	5,156,583	206,419	4%
Liabilities					
Current liabilities	119,282	240,229	252,966	12,737	5%
Long-term liabilities	259,208	321,717	325,881	4,164	1%
Total liabilities	378,490	561,946	578,847	16,901	3%
Net Position					
Net investment in capital assets	3,145,011	3,078,119	2,842,400	(235,719)	-8%
Restricted	297,023	272,530	278,703	6,173	2%
Unrestricted	1,433,313	1,037,569	1,456,633	419,064	40%
Total net position	<u>\$ 4,875,347</u>	<u>\$ 4,388,218</u>	<u>\$ 4,577,736</u>	<u>\$ 189,518</u>	4%

Flint Public Library

Management's Discussion and Analysis (Continued)

	Governmental Activities				Percent Change
	2012	2013	2014	Change	
Revenue					
Property taxes	\$ 3,125,681	\$ 2,657,004	\$ 2,332,702	\$ (324,302)	-12%
Other revenue	529,172	605,336	1,372,022	766,686	127%
Total revenue	3,654,853	3,262,340	3,704,724	442,384	14%
Program Expenses - General government	4,007,415	3,749,469	3,515,206	(234,263)	-6%
Change in Net Position	\$ (352,562)	\$ (487,129)	\$ 189,518	\$ 676,647	-139%

Total net position for the Library increased \$189,518 during the year ended June 30, 2014.

Total revenue increased by \$442,384 or 14 percent, while expenses decreased \$234,263 or 6 percent.

There was an overall increase in revenue; however there was a decrease in property tax revenue. The Library recorded potential chargebacks of \$138,880 on the tax roll levied in fiscal year 2014, reducing actual property tax collections. The increase in other revenue is a result of the receipt of several grant awards in fiscal year 2014. A total of \$207,669 of the grant revenue has been assigned to fiscal year 2015 to continue Library programming.

Expenses had a net decrease of \$234,263 due to continued conservative use of resources while the Library was requesting operating grants.

The Library's Fund

Our analysis of the Library's major fund begins on page 14, following the government-wide financial statements. The fund financial statements provide detail information about the General Fund, the Library's major fund for 2014, not the Library as a whole.

The General Fund pays for the Library's services. The most significant expenditures are salaries and wages and employee benefits and taxes. Maintenance and utilities for the building owned by the Library are the next most significant followed by materials expenses and supplies or program expenses. Property taxes levied on the property owners in the city of Flint comprise the most significant revenue source for the General Fund.

During the year ended June 30, 2014 the Library eliminated the use of a separate development fund for internal purposes. Development was established as a separate activity area for budgeting and monitoring purposes.

Flint Public Library

Management's Discussion and Analysis (Continued)

The following table shows the total governmental fund activity on a modified accrual basis:

	Governmental Fund - General Fund				Percent
	2012	2013	2014	Change	Change
Revenue					
Property taxes	\$ 3,125,681	\$ 2,657,004	\$ 2,271,769	\$ (385,235)	-14%
Universal service fund rebates (E rate)	43,631	17,573	96,077	78,504	447%
Charges for services	87,085	74,363	82,971	8,608	12%
Penal fines	94,694	87,564	91,187	3,623	4%
Grants and memorials	155,459	157,046	857,560	700,514	446%
State aid	45,824	118,894	203,275	84,381	71%
Investment income	5,074	2,913	3,897	984	34%
Gifts	29,566	132,162	34,800	(97,362)	-74%
Miscellaneous	31,467	6,821	1,555	(5,266)	-77%
Total revenue	3,618,481	3,254,340	3,643,091	388,751	12%
Expenditures					
Current:					
Salaries and wages	1,907,102	1,793,739	1,567,337	(226,402)	-13%
Employee benefits and taxes	697,173	729,830	772,168	42,338	6%
Materials	323,131	283,216	175,276	(107,940)	-38%
Supplies	112,102	149,130	113,304	(35,826)	-24%
Maintenance and utilities	297,711	271,364	254,692	(16,672)	-6%
Professional services	115,149	70,841	71,041	200	0%
Rent	6,794	2,374	2,372	(2)	0%
Communications	76,929	74,086	90,292	16,206	22%
Dues and memberships	6,751	4,590	4,494	(96)	-2%
Printing and publishing	36,505	39,341	29,456	(9,885)	-25%
Library cards and other fees	27,690	28,527	26,123	(2,404)	-8%
Insurance	33,862	41,000	36,207	(4,793)	-12%
Grant and memorial expenditures	141,542	96,252	64,179	(32,073)	-33%
Transportation/Staff development	9,399	8,611	7,167	(1,444)	-17%
Capital outlay	25,984	27,167	61,215	34,048	125%
Total expenditures	3,817,824	3,620,068	3,275,323	(344,745)	-10%
Net Change in Fund Balance	(199,343)	(365,728)	367,768	733,496	201%
Fund Balance - Beginning of year	2,188,887	1,989,544	1,623,816	(365,728)	-18%
Fund Balance - End of year	\$ 1,989,544	\$ 1,623,816	\$ 1,991,584	\$ 367,768	23%

Capital Assets

At the end of 2014, the Library had capital assets of \$2,842,400 net of accumulated depreciation. The largest portion represents donated building and land of the main branch of \$2,650,000 at fair market value at the date of donation; the current book value net of accumulated depreciation is \$1,590,000. This net amount complies with methods established by Governmental Accounting Standards Board (GASB) Statement No. 34.

Flint Public Library

Management's Discussion and Analysis (Continued)

Long-term Debt

At year end, the Library had \$172,885 owed to employees for compensated absences and \$152,996 for terminal leave payments.

Budgets

The significant changes to the total overall budget between the original and final amended budget were due to the following items:

Revenue

- Property tax revenue continued to decrease due to the decline in property tax values in the city of Flint. Additional chargebacks due to foreclosures and losses from tax sales resulted in decreased projected fiscal year 2014 property tax revenue. The Library proactively reduced current year property tax collections by an estimated chargeback of \$138,880 with a corresponding liability recorded.
- Universal service fund rebates (E rate) increased compared to fiscal year 2013 due to a change in how the funds received are recorded. It was determined for budgetary purposes and due to the uncertain nature of when funds would be actually received that an accounts receivable estimate would not be recorded and only actual receipts through the end of the fiscal year were recorded. This change affected the revenue as shown in fiscal year 2013 and 2014.
- Charges for services include for budgetary purposes the 20 percent paid by employees for healthcare insurance. The amount for fiscal year 2014 increased as a result of increased premiums.
- Actual penal fine receipts increased to \$91,187, reversing a downward trend that began in fiscal year 2011.
- Grants and memorials increased in fiscal year 2014 as a result of meeting the objectives of the strategic plan to find other revenue sources to fund programs due to the decline in property tax revenues and the consolidation of the development fund into the General Fund. The Library also received operating grants of \$300,000 from the C. S. Mott Foundation and \$200,000 from the Ruth Mott Foundation to offset the decline in property tax revenues. A total of \$207,669 of the grant revenue was assigned to fund programs in fiscal year 2015.
- State aid revenue was increased by \$84,381. State aid revenue is comprised of two components, state aid as appropriated for libraries and the Michigan Public School Employees Retirement System (MPERS) unfunded actuarial accrued liability (UAAL) rate stabilization payment as required by PA 60 of 2013. State aid revenue as appropriated for libraries as per PA 89 of 1977 was \$60,373 for fiscal year 2014, an increase of \$9,253. The MPERS stabilization payment for fiscal year 2014 was \$142,902, an increase of \$75,128.

Flint Public Library

Management's Discussion and Analysis (Continued)

Expenditures

- There was an overall decrease in salaries and wages in fiscal year 2014. The Library reduced staff by five full-time equivalents in fiscal year 2013 by eliminating positions and reducing others to part time. There were additional reductions in staff from full time to part time and staff retirements in fiscal year 2014. The positions vacated by retirements were permanently eliminated.
- The increase in employee benefits and taxes is a result of recording the MPSERS stabilization expense as required by PA 60 of 2013. Actual employee benefits and taxes before the recording of the expense were \$629,266, a decrease of \$33,746 or 5 percent, reflecting the decrease in staff.
- There was a reduction in amounts spent for library materials and materials support as a result of the reduction in revenues.
- There were decreases in utilities estimates including lawn care, telephone, and electrical and gas.
- An overall decrease in expenditures was based on management's commitment to responsible spending in light of declining revenue and the uncertainty of grant funding. This overall decrease is reflected in all areas of spending for programs and materials.

Economic Factors and Next Year's Budget

Property values are projected to remain flat in fiscal year 2015 for the first time in five years; however, foreclosures and property abandoned will continue to reduce revenue in the upcoming fiscal year. The management of the Library continues to be committed to operating the Library within the revenues provided. Libraries in Michigan are funded almost completely at the local level through property tax revenues. The decline in the tax base in the city of Flint has led the Library to seek out other funding mechanisms as well as private fundraising and the development of a base of donors committed to the Library and its mission and vision.

The declining property values and the continued poor economy in the city of Flint have led to an unprecedented level of home foreclosures as well tax foreclosures. In Michigan, a property that has delinquent taxes may be foreclosed upon after two years; after three years, the property is sold at a tax auction. County treasurers set up a delinquent tax revolving fund in which taxing entities are paid in full for delinquent taxes in the year they are levied. As adjustments are made to the delinquent tax roll due to collections and foreclosures, the adjustments are charged back to the taxing entities. When property values are rising, the adjustments often result in additional revenue for the entities; in years of declining values, the adjustments result in revenue being reduced from the current year tax roll.

The Library has proactively recorded chargebacks of \$138,880 for fiscal year 2014. The library has also put into place a methodology for determining reductions for past property tax chargebacks and budgets to reduce property tax revenue as a result of the methodology.

Flint Public Library

Management's Discussion and Analysis (Continued)

Flint Public Library's adopted operating budget for the fiscal year ending June 30, 2015 as adopted in June 2014 is as follows:

Estimated revenues	\$ 3,108,173
Estimated use of fund balance	502,680
Estimated expenditures	<u>3,610,853</u>
Net	<u>\$ -</u>

The budget, as adopted by the board of trustees, assigned net funds of \$182,687, and unassigned, uncommitted, and unrestricted funds of \$502,680.

The Library did receive notification of a grant from the Ruth Mott Foundation of \$200,000 in July 2014 that reduces the estimated use of fund balance to \$302,680. The Library is actively seeking other funding to fill this gap.

The Library has reduced its personnel by 50 percent since 2004 through realignment of staff positions and has reduced costs by negotiating lesser salary and benefit levels for current staff. Management and employees worked together to adopt collectively bargained agreements that resulted in a 5 percent reduction to salaries through June 30, 2015. Additionally, long-term savings were achieved with changes in benefits for staff positions filled after July 1, 2012 as well as additional flexibility for scheduling for both the Library and staff. Staff agreed to continue paying 20 percent of their healthcare costs (as they have done since 2009). This was achieved by the partnership with staff and their bargaining units who are willing to sacrifice in recognition of the changing economics for the Library.

The Library board of trustees, its director, management, and staff recognize that the Library cannot continue to reduce expenses to match the steep decline in revenues. A single branch library with only 45 hours per week of service is the bare minimum needed to provide services to the citizens of Flint. Nor can the Library privately raise revenues to the extent of the losses.

The C. S. Mott Foundation awarded the Library a grant in fiscal year 2014 for an operational and strategic planning process that will determine the future of the Library. This process looks not only at the short term but will also address what decisions and changes can be made to preserve reasonable library services for the next 10 years as the city of Flint moves from a factory town to a new future with an educated populace ready and equipped for 21st century job opportunities. The process began in May 2014 and will be completed by early in 2015.

During this process, the Library will continue to collaborate with other entities to share resources and reduce maintenance costs. It will continue the development program begun in fiscal year 2013 and to seek out grants and other funding resources, including the possibility of additional millage revenue.

Flint Public Library

Management's Discussion and Analysis (Continued)

Flint Public Library is committed to being an excellent library for the community and a good steward of taxpayer resources. We continue to believe that our motto of Connect, Read, and Dream will inspire our community members to engage with the Library and one another, to champion the importance of reading, and to dream of a future we will create together. The adopted budget reflects this commitment of the Library to the community it serves, the citizens of the city of Flint.

Requests for Information

This financial report is designed to provide our citizens and taxpayers with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance at Flint Public Library, 1026 E. Kearsley, Flint, Michigan 48502.

Flint Public Library

Statement of Net Position June 30, 2014

	Primary Governmental Activities	Friends of the Library
Assets		
Cash and cash equivalents (Note 2)	\$ 1,750,772	\$ 56,224
Investments	250,862	-
Receivables:		
Accrued interest receivable	798	-
Other receivables	12,817	-
Due from other governmental units	182,580	-
Inventory	3,764	-
Prepaid expenses	97,557	-
Restricted cash and cash equivalents	15,033	-
Capital assets: (Note 4)		
Assets not subject to depreciation	743,414	-
Assets subject to depreciation	<u>2,098,986</u>	<u>-</u>
Total assets	5,156,583	56,224
Liabilities		
Accounts payable	35,040	-
Due to other governmental units	155,001	-
Accrued liabilities and other:		
Accrued salaries and wages	31,871	-
Payroll taxes and withholdings	30,054	-
Unearned revenue	1,000	-
Noncurrent liabilities (Note 5):		
Due within one year - Compensated absences	32,914	-
Due in more than one year - Compensated absences	<u>292,967</u>	<u>-</u>
Total liabilities	578,847	-
Net Position		
Net investment in capital assets	2,842,400	-
Restricted for: (Note 9)		
Expendable endowment	236,037	-
Non-expendable endowment	20,000	-
Donor restricted contributions	6,402	-
Programming	16,264	-
Unrestricted	<u>1,456,633</u>	<u>56,224</u>
Total net position	<u>\$ 4,577,736</u>	<u>\$ 56,224</u>

Flint Public Library

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government - Governmental activities - Library operations	<u>\$ 3,515,206</u>	<u>\$ 82,971</u>	<u>\$ 892,360</u>
Component unit - Friends of the Library	<u>\$ 34,597</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:			
			Property taxes
			Universal service fund rebates (E rate)
			State aid
			Investment income
			Penal fines
			Other miscellaneous income
			Total general revenue
Change in Net Position			
Net Position - Beginning of year			
Net Position - End of year			

**Statement of Activities
Year Ended June 30, 2014**

Net (Expense) Revenue and Changes in Net Position	
<u>Primary Government</u>	
<u>Governmental Activities</u>	<u>Friends of the FPL</u>
\$ (2,539,875)	\$ -
\$ -	\$ (34,597)
2,332,702	-
96,077	-
203,275	-
3,897	-
91,187	-
2,255	27,203
<u>2,729,393</u>	<u>27,203</u>
189,518	(7,394)
<u>4,388,218</u>	<u>63,618</u>
<u>\$ 4,577,736</u>	<u>\$ 56,224</u>

Flint Public Library

Governmental Fund Balance Sheet June 30, 2014

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 1,750,772
Investments	250,862
Receivables:	
Accrued interest receivable	798
Other receivables	12,817
Due from other governmental units	182,580
Inventory	3,764
Prepaid expenses	97,557
Restricted cash and cash equivalents	<u>15,033</u>
Total assets	<u><u>\$ 2,314,183</u></u>
Liabilities	
Accounts payable	\$ 35,040
Due to other governmental units	155,001
Accrued liabilities and other	61,925
Unearned revenue	<u>1,000</u>
Total liabilities	252,966
Deferred Inflows of Resources (Note 3) - Unavailable revenue	69,633
Fund Balances	
Nonspendable:	
Inventory	3,764
Prepays	97,557
Nonexpendable endowment	20,000
Restricted:	
Expendable endowment	236,037
Programming	16,264
Donor-restricted contributions	6,402
Assigned:	
Subsequent year's budget	502,680
Capital improvements	11,910
Programs and grants	296,146
Unassigned	<u>800,824</u>
Total fund balances	<u>1,991,584</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,314,183</u></u>

Flint Public Library

Governmental Fund Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2014

Fund Balance Reported in Governmental Fund	\$ 1,991,584
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	2,842,400
Receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	69,633
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(172,885)
Terminal leave payments are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	<u>(152,996)</u>
Net Position of Governmental Activities	<u>\$ 4,577,736</u>

Flint Public Library

Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2014

	<u>General Fund</u>
Revenue	
Property taxes	\$ 2,271,769
Universal service fund rebates (E rate)	96,077
Penal fines	91,187
Grants and memorials	857,560
Charges for services	82,971
State aid	203,275
Investment income	3,897
Gifts	34,800
Miscellaneous revenue	<u>1,555</u>
Total revenue	3,643,091
Expenditures	
Current - Library operations:	
Salaries and wages	1,567,337
Employee benefits and taxes	772,168
Materials	175,276
Supplies and program expenses	113,304
Maintenance and utilities	254,692
Professional services	71,041
Rent	2,372
Communications	90,292
Dues and memberships	4,494
Printing and publishing	29,456
Library cards and other fees	26,123
Insurance	36,207
Grant and memorial expenditures	64,179
Transportation/Staff development	7,167
Capital outlay	<u>61,215</u>
Total expenditures	<u>3,275,323</u>
Net Change in Fund Balance	367,768
Fund Balance - Beginning of year	<u>1,623,816</u>
Fund Balance - End of year	<u><u>\$ 1,991,584</u></u>

Flint Public Library

Governmental Fund Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities Year Ended June 30, 2014

Net Change in Fund Balance - Total Governmental Fund \$ 367,768

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	113,267
Depreciation expense	(331,976)
Net book value of assets disposed of	(17,010)

Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	61,633
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Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment	<u>(4,164)</u>
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Change in Net Position of Governmental Activities \$ 189,518

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Flint Public Library (the "Library"):

Reporting Entity

Pursuant to Proposal A, effective July 1, 1996, school districts in Michigan are not allowed to levy a millage for public libraries. The Library was, therefore, spun off from Flint Community Schools to operate as an independent body with its own board of trustees and its own tax levy. The Library has received voter approval to levy 3.4 mills. The Library became a separate entity as of July 1, 2000. Transfer of certain assets and liabilities was completed on June 16, 2004 between the Library and Flint Community Schools. The Library is governed by a board of trustees (the "Library Board"), which consists of seven members. The mayor appoints three members and the Flint Board of Education appoints four members.

The Library's district borders encompass the city of Flint (the "City").

The accompanying financial statements present the Library and its component unit, an entity for which the Library is considered to be financially accountable. The component unit discussed below is included in the Library's reporting entity because of the significance of its operational or financial relationship with the Library. The component unit is discretely presented via a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the Library.

Discretely Presented Component Units - Friends of the Flint Public Library (FFPL) (a not-for-profit organization) is a separate legal entity formed solely to support Flint Public Library. The Flint Public Library does not appoint the voting majority of the FFPL's board. There is no fiscal dependency or financial benefit or burden on the Library. The FFPL distributes investment earnings annually to the Library. Requests for financial statements of FFPL can be made to the officers of FFPL.

Accounting and Reporting Principles

The Library follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Note I - Summary of Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective, and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Library and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to patrons for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Property taxes and other items not properly included among program revenues are reported instead as general revenue.

Basis of Accounting

The Library is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The prepaid expenses reported on the balance sheet represent payments made in advance for 2015 expenditures.

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 revenue to be available if it is collected within 60 days of the end of the current fiscal period.

In addition to presenting information for the General Fund on a financial resources and modified accrual basis, the financial statements also present information for the Library 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.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Accounting

The Library has one fund, the General Fund, which is the Library's primary operating fund.

Specific Balances and Transactions

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investments held by others include certificates of deposit with a maturity of greater than 90 days from issuance.

Receivables - All trade and property tax receivables are shown as net of an allowance for uncollectible amounts. The amount of reserve for uncollectible personal property taxes was \$138,880 at June 30, 2014.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses on the balance sheet.

Capital Assets - Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and a useful life in excess of one year. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the Library are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Works of art	N/A
Computers, software, and accessories	5
Books	10
Vehicles	6
Equipment and furniture	7-20
Buildings and building improvements	20

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation, Sick Leave, and Terminal Leave) - In accordance with contracts negotiated with the employees of the Library, individual employees have a vested right upon termination of employment to receive payment for unused vacation, sick leave, and terminal leave under formulas and conditions specified in the contracts. All vacation, sick leave, and terminal leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. These liabilities are liquidated by the General Fund.

Long-term Obligations - Long-term debt and other long-term obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Long-term obligations are paid with monies from the General Fund.

Pension and Other Postemployment Benefit Costs - The Library offers both pension and retiree healthcare benefits to retirees. The Library receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements, the Library reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any. These liabilities are liquidated by the General Fund.

Grants and Memorials and Unearned Revenue - Grant revenue is recorded as it is earned, according to the provisions of the grant. The provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred for a grant-related obligation. Some immaterial variances may occur between grant revenue and expense due to timing differences. Any grant funds received in advance are recorded as unearned revenue until the eligibility requirements have been met.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library has no items that qualify for reporting in this category.

Note I - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library has two items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue from pledges and unavailable revenue from the Renaissance Zone Credit are reported only in the governmental fund balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Net Position Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

Note I - Summary of Significant Accounting Policies (Continued)

- Committed: Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board.
- Assigned: Intent to spend resources on specific purposes expressed by the governing body, director, or manager of finance, who are authorized by resolution approved by the governing body to make assignments.
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

The Flint Public Library Board has adopted a fund balance policy (111.4.1) that requires the establishment and maintenance of a three-month operating reserve. The current budget stabilization is approximately equivalent to a three-month operating reserve at \$900,000.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31 at which time the enforceable lien is attached. Taxes are considered delinquent on September 30, at which time penalties and interest are assessed.

The taxable valuation of the Library totaled approximately \$753 million, on which ad valorem taxes levied consisted of 3.4 mills for the Library's operating purposes. The ad valorem taxes levied raised approximately \$2.34 million for operations which is recognized in the General Fund financial statements as property tax revenue.

The Library is levying 2.0 mills that will be levied in perpetuity. In August 2010, the citizens of the city of Flint passed a renewal of the 0.9 mills along with an increase of .5 mills that took effect in the beginning of fiscal year 2013.

The Library levies its property taxes on July 1 and the City of Flint collects its property taxes and remits them to the Library through February. Genesee County (the "County") purchases the delinquent real property taxes of the Library, and delinquent personal property taxes continue to be collected by the City and recorded as revenue as they are collected. The County sells tax notes, the proceeds of which have been used to pay the Library for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that 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.

The Federal Deposit Insurance Corporation (FDIC) provides protection of the Library's deposits. The board authorized Citizens Bank (now First Merit), Bank of America, First Place Bank, Comerica Bank, and JPMorgan Chase for the deposit of the Library's funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997, as amended, had authorized investment in all of the above-mentioned investment vehicles. The Library's deposit and investment policies are in accordance with statutory authority.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library has a deposit policy for custodial credit risk. At year end, the Library had \$321,759 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Library evaluates the financial institutions with which it deposits funds and assesses their level of risk; only those institutions with an acceptable estimated risk level are used as depositories.

Deposits and Investments of Component Unit - All of the deposits of FFPL were fully insured at June 30, 2014.

Flint Public Library

Notes to Financial Statements June 30, 2014

Note 3 - Deferred Inflows of Resources

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental Funds
Receivables - Unavailable pledges	\$ 8,700
Receivables - Unavailable reimbursements	<u>60,933</u>
Total deferred inflows	<u>\$ 69,633</u>

The deferred inflow relates to a pledge receivable for donations for the Library's 2015-2017 campaign. Those monies were not received within the period of availability.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Governmental Activities	Balance July 1, 2013	Adjustments	Additions	Disposals	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 530,000	\$ -	\$ -	\$ -	\$ 530,000
Construction in progress	-	-	13,414	-	13,414
Other nondepreciable assets	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Subtotal	730,000	-	13,414	-	743,414
Capital assets being depreciated:					
Buildings and improvements	2,524,912	-	12,900	-	2,537,812
Machinery and equipment	461,438	-	12,017	-	473,455
Books	<u>1,927,623</u>	<u>-</u>	<u>74,936</u>	<u>(39,338)</u>	<u>1,963,221</u>
Subtotal	4,913,973	-	99,853	(39,338)	4,974,488
Accumulated depreciation:					
Buildings and improvements	1,051,595	-	122,936	-	1,174,531
Machinery and equipment	264,001	-	88,911	-	352,912
Books	<u>1,250,258</u>	<u>17,010</u>	<u>120,129</u>	<u>(39,338)</u>	<u>1,348,059</u>
Subtotal	<u>2,565,854</u>	<u>17,010</u>	<u>331,976</u>	<u>(39,338)</u>	<u>2,875,502</u>
Net capital assets being depreciated	<u>2,348,119</u>	<u>(17,010)</u>	<u>(232,123)</u>	<u>-</u>	<u>2,098,986</u>
Net capital assets	<u>\$ 3,078,119</u>	<u>\$ (17,010)</u>	<u>\$ (218,709)</u>	<u>\$ -</u>	<u>\$ 2,842,400</u>

Flint Public Library

Notes to Financial Statements June 30, 2014

Note 4 - Capital Assets (Continued)

As part of the transaction to "spin off" from Flint Community Schools, the deed to the building and land of the main branch was given to the Library on the condition that the property be used for public library purposes and with free public library usage for residents of the city of Flint. Should the property cease to be used for public library purposes with free public library usage for residents of the city of Flint, the property ownership would revert back to Flint Community Schools. The deed to the property was transferred on June 15, 2004 at a fair value of \$2,650,000.

Note 5 - Long-term Debt

Governmental Activities

General Obligations

The compensated absences represent the estimated liability to be paid to employees under the Library's vacation pay and terminal leave policy. Under the Library's various contracts, employees can earn vacation and sick time based on time of service with the Library. A payment ranging from \$250 to \$110 per year of service at the Library is paid to employees who meet the age and years of service requirements at retirement. The Library estimates that vacation and sick pay of \$21,887 and terminal leave pay of \$11,027 will be paid within the next year.

Long-term liability activity for the year ended June 30, 2014 can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accumulated compensated absences	\$ 193,836	\$ 483	\$ (21,434)	\$ 172,885	\$ 21,887
Terminal leave	<u>127,881</u>	<u>61,058</u>	<u>(35,943)</u>	<u>152,996</u>	<u>11,027</u>
Total governmental activities	<u>\$ 321,717</u>	<u>\$ 61,541</u>	<u>\$ (57,377)</u>	<u>\$ 325,881</u>	<u>\$ 32,914</u>

Note 6 - Budget Information

The Library employs the following procedures in establishing the budgetary data reflected in the financial statements:

- Prior to June 30, the director submits to the board a proposed operating budget for the fiscal year commencing on July 1.
- A public hearing is conducted in June to obtain taxpayer comments.
- Prior to June 30, the budget is legally enacted through passage of a resolution by the board of trustees on a departmental basis.

Note 6 - Budget Information (Continued)

- For purposes of meeting emergency needs of the Library, transfer of appropriations may be made by the authorization of the director. Such transfers of appropriations must be approved by the board at its next regularly scheduled meeting.
- The director is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- During the year, the budget is monitored and amendments to the budget resolution are made when deemed necessary. Unexpended appropriations lapse at year end, and, as a result, the amount of encumbrances outstanding at June 30, 2014 has not been calculated. Encumbrances are not included as expenditures.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that grants are budgeted on a grant-length basis and employee insurance co-pays are recorded as revenue for budget purposes.

A comparison of the actual results of operations to the General Fund budget as adopted by the Library board is included in the required supplemental information.

Note 7 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for these risks. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage.

Note 8 - Fund Balance Assignments

Fund balance assignments represent those portions of fund balance not available for expenditure or segregated for a specific future use. The assignment of fund balance of \$810,736 at June 30, 2014 is comprised of \$502,680 for the subsequent year's budgeted expenditures in excess of revenue, capital improvements of \$11,910, and programs and grants of \$296,146.

Note 9 - Restricted Net Position - Endowment

The expendable and nonexpendable portions of endowment at June 30, 2014 are comprised of the following:

Primary Government

	Restricted - Expendable	Restricted - Nonexpendable	Total
Library Building Fund	\$ 4,487	\$ -	\$ 4,487
Goering Fund	42,674	-	42,674
Scott Memorial Fund	40,644	20,000	60,644
Library Special Fund (Curtis)	148,232	-	148,232
Total restricted net position	<u>\$ 236,037</u>	<u>\$ 20,000</u>	<u>\$ 256,037</u>

Note 10 - Defined Benefit Pension Plan - MERS

Library employees hired on or after July 1, 2000 are eligible to participate in the Municipal Employees' Retirement System (MERS). The plan description and funding policy are as follows:

Plan Description - The Library's defined benefit pension plan - MERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Library participates in the Municipal Employees' Retirement System (MERS), an agent of a multiple-employer public employee retirement system administered by the MERS retirement board. Act No. 427 of the Public Act of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information of MERS. That report may be obtained by writing to the Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

A basic plan member may retire at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 2 percent of a member's five-year final average compensation. Final average compensation is the employee's average salary over the last five years of credited service. Benefits fully vest upon reaching 10 years of service.

Funding Policy - The Library employees are not required to make contributions to the pension plan. Contributions are made on behalf of the employees by the Library based on actuarial valuations. The contribution percentages required for 2014 and 2013 were 5.52 percent and 5.9 percent of covered payroll, respectively.

Note 10 - Defined Benefit Pension Plan - MERS (Continued)

Annual Pension Cost - For the year ended June 30, 2014, the Library's annual pension cost of \$40,433 for the plan was equal to the Library's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, and (b) projected salary increases of 4.5 percent per year (1 percent increase for calendar years 2011-2014 plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases). Both (a) and (b) include an inflation component of 3 to 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 10 years.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2014	2013	2012
Annual pension cost (APC)	\$ 40,433	\$ 55,329	\$ 73,025
Percentage of APC contributed	100.0 %	1,000.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

	Fiscal Year Ended June 30		
	2013	2012	2011
Actuarial value of assets	\$ 1,454,300	\$ 1,327,275	\$ 1,194,580
Actuarial accrued liability (AAL) (entry age)	\$ 1,150,384	\$ 1,116,062	\$ 1,006,483
Unfunded AAL (UAAL)	\$ (303,916)	\$ (211,213)	\$ (188,097)
Funded ratio	126.4 %	118.9 %	118.7 %
Covered payroll	\$ 700,167	\$ 953,261	\$ 1,040,228
UAAL as a percentage of covered payroll	(43.4)%	(22.2)%	(18.1)%

Note 11 - Defined Benefit Pension Plan and Postemployment Benefits

Library employees hired prior to July 1, 2000 are eligible to participate in the Michigan Public School Employees Retirement System (MPERS). The plan description, funding policy, and description of other postemployment benefits follow:

Plan Description - MPERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Technology, Management and Budget, Office of Retirement Services. MPERS provides retirement, survivor, and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplemental information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan 48909 or by calling 1-800-381-5111.

The Library's current year covered payroll for its employees totaled \$742,123. All required contributions to the plan have been made by the employer.

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each participating employer is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 18.34 percent for the period from July 1, 2013 through June 30, 2014. Basic plan members make no contributions, but member investment plan or MIP plus members contribute at rates ranging from 3 percent to 6.4 percent of gross wages depending on the plan. The Library's required and actual contributions to the plan for the years ended June 30, 2014 and 2013 were \$274,169 and \$186,289, respectively.

Beginning October 1, 2012 through January 31, 2013, employees were given the following plan options with the corresponding employer contribution rates:

	First Worked Before July 1, 2010*	First Worked on or After July 1, 2010 through September 3, 2012**	First Worked on or After September 4, 2012 and Remain Pension Plus	First Worked on or After September 4, 2012 and Elect DC
Pension contributions	16.25 %	15.02 %	15.02 %	12.78 %
Health contributions	6.45 %	9.11 %	8.18 %	8.18 %

* Basic, MIP Fixed, MIP Graded, MIP Plus

** Pension Plus

Note 11 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

For the period from February 1, 2013 through June 30, 2013, employees could transition to a defined contribution plan (DC) and could also elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF) depending upon their date of hire and retirement plan election. Employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	18.34 %	18.11 %	18.11 %	15.44 %	15.44 %	15.44 %	18.34 %
Health contributions	6.45 %	6.45 %	5.52 %	5.52 %	6.45 %	5.52 %	5.52 %
Defined contribution plan employer contributions:							
DC employer contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The Library's annual contribution represents less than 1 percent of the total contributions received by the MPSERS. Historical trend information showing funding progress, employer contributions, and actuarial assumptions for the entire MPSERS plan is presented in the MPSERS September 30, 2013 comprehensive annual financial report.

Postemployment Benefits - Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 9.11 percent of covered payroll for the period from July 1, 2013 through September 30, 2013. For the period from October 1, 2013 through June 30, 2014, the employer contribution rate was 6.45 percent. Effective February 1, 2013, members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

Note 11 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

The employer contribution rate was 6.45 percent of covered payroll for the period from July 1, 2013 through June 30, 2014. The Library's required actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2014 and 2013 were \$52,590 and \$70,403, respectively.

Note 12 - Component Unit - Friends of the Flint Public Library

During 1992, the Friends of the Flint Public Library (FFPL), a component unit of Flint Public Library, created a "designated endowment fund" (the "Fund") at the Community Foundation of Greater Flint (the "Foundation"). The Foundation has variance power over the Fund and, as a result, the assets are not reported on the FFPL's balance sheet. The Foundation must distribute to the Flint Public Library investment earnings annually. The total market value of the Fund held by the Foundation at June 30, 2014 was \$173,340. During the year ended June 30, 2014, new gifts in the amount of \$700 were made to the Fund and the net investment gain amounted to \$27,685.

Note 13 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Library is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Note 14 - Change in Accounting

During the current year, the Library adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this statement, the following liability has been reclassified, as indicated:

<u>Item</u>	<u>Amount</u>	<u>Prior reporting classification/treatment</u>	<u>New classification after adoption of GASB 65</u>
Pledges receivable which are unavailable (within 60 days)	\$ 8,700	Liability	Deferred inflow of resources
Renaissance Zone Credit reimbursement that is unavailable	60,933	Liability	Deferred inflow of resources

Required Supplemental Information

Flint Public Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,534,444	\$ 2,336,649	\$ 2,271,769	\$ (64,880)
Universal service fund rebates (E rate)	41,600	95,667	96,077	410
Penal fines	80,000	80,000	91,187	11,187
Grants and memorials	42,285	852,809	857,560	4,751
Charges for services	69,500	76,764	82,971	6,207
State aid	51,055	235,544	203,275	(32,269)
Investment income	2,200	3,100	3,897	797
Gifts	19,500	34,800	34,800	-
Miscellaneous revenue	1,000	1,430	1,555	125
Total revenue	2,841,584	3,716,763	3,643,091	(73,672)
Expenditures - Current				
Library operations:				
Salaries and wages	1,575,498	1,539,690	1,567,337	(27,647)
Employee benefits and taxes	677,819	844,094	772,168	71,926
Materials	170,700	192,672	175,276	17,396
Supplies and program expenses	153,437	138,611	113,304	25,307
Maintenance and utilities	293,900	278,242	254,692	23,550
Professional services	70,683	80,134	71,041	9,093
Rent	3,000	3,000	2,372	628
Communications	87,000	92,945	90,292	2,653
Dues and memberships	7,015	7,015	4,494	2,521
Printing and publishing	37,822	38,185	29,456	8,729
Library cards and other fees	31,875	31,575	26,123	5,452
Insurance	41,000	34,000	36,207	(2,207)
Grant and memorial expenditures	50,663	64,830	64,179	651
Transportation/Staff development	13,755	8,282	7,167	1,115
Total library operations	3,214,167	3,353,275	3,214,108	139,167
Capital outlay	29,500	86,573	61,215	25,358
Total expenditures	3,243,667	3,439,848	3,275,323	164,525
Net Change in Fund Balance	(402,083)	276,915	367,768	90,853
Fund Balance - Beginning of year	1,623,816	1,623,816	1,623,816	-
Fund Balance - End of year	<u>\$ 1,221,733</u>	<u>\$ 1,900,731</u>	<u>\$ 1,991,584</u>	<u>\$ 90,853</u>

Flint Public Library

Required Supplemental Information Pension System Schedule Year Ended June 30, 2014

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/11	\$ 1,194,580	\$ 1,006,483	\$ (188,097)	118.7	\$ 1,040,228	(18.1)
12/31/12	1,327,275	1,116,062	(211,213)	118.9	953,261	(22.2)
12/31/13	1,454,300	1,150,384	(303,916)	126.4	700,167	(43.4)