

Flint Public Library

**Financial Report
with Supplemental Information
June 30, 2013**

Flint Public Library

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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 Flint Public Library (the "Library") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise 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 opinion.

Opinion

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, 2013 and for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Flint Public Library

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison 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 supplemental 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 & Moran, PLLC

October 14, 2013

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, 2013. 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 2013, total tax collections were \$2,731,004. This represents approximately 89 percent of total revenue.
- Personnel costs are the largest overall expenditure of the Library. For 2013, salaries, benefits, and taxes totaled \$2,523,569 after full accrual basis adjustments, representing approximately 70 percent of the Library's total expenditures.
- Library materials (e.g., books, CDs, DVDs, electronic databases, etc.) of \$283,216 are one of the largest overall expenditures of the Library. This represents approximately 8 percent of the Library's total expenditures.
- Total expenditures for the entire year before depreciation were \$3,497,999.
- The Library's net position decreased by \$487,129 during the year ended June 30, 2013. Depreciation expense was \$251,470.

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 is 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 \$4.3 million at the close of the most recent fiscal year (see table below).

	Governmental Activities				Percent Change
	2011	2012	2013	Change	
Assets					
Other assets	\$ 2,609,742	\$ 2,108,826	\$ 1,872,045	\$ (236,781)	-11%
Capital assets	3,293,740	3,145,011	3,078,119	(66,892)	-2%
Total assets	5,903,482	5,253,837	4,950,164	(303,673)	-6%
Liabilities					
Current liabilities	420,854	119,282	240,229	120,947	101%
Long-term liabilities	254,719	259,208	321,717	62,509	24%
Total liabilities	675,573	378,490	561,946	183,456	48%
Net Position					
Net investment in capital assets	3,293,740	3,145,011	3,078,119	(66,892)	-2%
Restricted	293,453	297,023	272,530	(24,493)	-8%
Unrestricted	1,640,716	1,433,313	1,037,569	(395,744)	-28%
Total net position	<u>\$ 5,227,909</u>	<u>\$ 4,875,347</u>	<u>\$ 4,388,218</u>	<u>\$ (487,129)</u>	-10%

Flint Public Library

Management's Discussion and Analysis (Continued)

	Governmental Activities				Percent Change
	2011	2012	2013	Change	
Revenue					
Property taxes	\$ 3,481,298	\$ 3,125,681	\$ 2,657,004	\$ (468,677)	-15%
Other revenue	780,653	529,172	605,336	76,164	14%
Total revenue	4,261,951	3,654,853	3,262,340	(392,513)	-11%
Program Expenses	4,261,663	4,007,415	3,749,469	(257,946)	-6%
Change in Net Position	<u>\$ 288</u>	<u>\$ (352,562)</u>	<u>\$ (487,129)</u>	<u>\$ (134,567)</u>	38%

Total net position for the Library decreased \$487,129 during the year ended June 30, 2013.

Total revenue decreased by \$392,513 or 11 percent, while expenses decreased \$257,946 or 6 percent.

The decrease in revenue is attributable to a reduction in property tax revenue as a result of declining property values. The Library recorded potential chargebacks of \$74,000 on the tax roll levied in fiscal year 2013, reducing actual property tax collections. The increase in other revenue is a result of the receipt of several grant awards in fiscal year 2013. A total of \$41,948 of the grant revenue has been assigned to fiscal year 2014 to continue Library programming.

Expenses had a net decrease of \$257,946 due to a planned reduction in overall expenses because of declining revenue. This included the elimination of full-time staff positions.

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 2013, 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.

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
	2011	2012	2013	Change	Change
Revenue					
Property taxes	\$ 3,481,298	\$ 3,125,681	\$ 2,657,004	\$ (468,677)	-15%
Universal service fund rebates (E rate)	142,108	43,631	17,573	(26,058)	-60%
Charges for services	80,586	87,085	74,363	(12,722)	-15%
Penal fines	124,513	94,694	87,564	(7,130)	-8%
Grants and memorials	333,977	155,459	157,046	1,587	1%
State aid	61,561	45,824	118,894	73,070	159%
Investment income	9,708	5,074	2,913	(2,161)	-43%
Gifts	23,647	29,566	132,162	102,596	
Miscellaneous	4,553	31,467	6,821	(24,646)	-78%
Total revenue	4,261,951	3,618,481	3,254,340	(364,141)	-10%
Expenditures					
Current:					
Salaries and wages	2,017,379	1,907,102	1,793,739	(113,363)	-6%
Employee benefits and taxes	659,072	697,173	729,830	32,657	5%
Materials	354,850	323,131	283,216	(39,915)	-12%
Supplies	131,954	112,102	149,130	37,028	33%
Maintenance and utilities	273,006	297,711	271,364	(26,347)	-9%
Professional services	78,747	115,149	70,841	(44,308)	-38%
Rent	50,370	6,794	2,374	(4,420)	-65%
Communications	173,755	76,929	74,086	(2,843)	-4%
Dues and memberships	3,294	6,751	4,590	(2,161)	-32%
Printing and publishing	25,899	36,505	39,341	2,836	8%
Library cards and other fees	31,847	27,690	28,527	837	3%
Insurance	33,980	33,862	41,000	7,138	21%
Grant and memorial expenditures	333,131	141,542	96,252	(45,290)	-32%
Transportation/Staff development	6,204	9,399	8,611	(788)	-8%
Capital outlay	178,006	25,984	27,167	1,183	5%
Total expenditures	4,351,494	3,817,824	3,620,068	(197,756)	-5%
Net Change in Fund Balance	(89,543)	(199,343)	(365,728)	(166,385)	-83%
Fund Balance - Beginning of year	2,278,430	2,188,887	1,989,544	(199,343)	-9%
Fund Balance - End of year	\$ 2,188,887	\$ 1,989,544	\$ 1,623,816	\$ (365,728)	-18%

Capital Assets

At the end of 2013, the Library had capital assets of \$3,078,119 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 \$1,696,000. 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 \$193,836 owed to employees for compensated absences and \$127,881 for termination leave payments. The Library adjusted the termination leave payment calculation as recommended by GASB No. 27 in fiscal year 2013.

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 2013 property tax revenue. The Library proactively reduced current year property tax collections by an estimated chargeback of \$74,000 with a corresponding liability recorded.

Universal service fund rebates (E rate) decreased compared to fiscal year 2012 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, 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.

- Charges for services includes for budgetary purposes the 20 percent paid by employees for healthcare insurance. The amount for fiscal year 2013 declined as a result of staff reductions.
- Actual penal fine receipts declined to \$87,564, continuing a trend that began in fiscal year 2011.
- Grants and memorials increased in fiscal year 2013 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. A total of \$41,948 of the grant revenue was assigned to fund programs in fiscal year 2014.
- State aid revenue was increased by \$67,774. This is the Michigan Public School Employees' Retirement System (MPSERS) 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 \$51,120 for fiscal year 2013.

Expenditures

- There was an overall decrease in salaries and wages in fiscal year 2013. The Library reduced staff by five full-time equivalents in fiscal year 2013 by eliminating positions and reducing others to part time.

Flint Public Library

Management's Discussion and Analysis (Continued)

- 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 \$663,012, a decrease of \$35,421 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, net of an increase in sewer and water rates.

An overall decrease in expenditures was based on management's commitment to responsible spending in light of declining revenue. This overall decrease is reflected in all areas of spending for programs and materials.

Development Fund

The Library uses for internal purposes a separate development fund to account and budget for fundraising revenues and expenses. This fund is consolidated with the General Fund in the statement of net position and statement of activities. The first annual campaign by the Library continued until August 2013; thus, all pledges and gifts were not known or received until after the end of fiscal year 2013. The development fund's revenues and expenses at the end of fiscal year 2013 netted to (\$10,221).

Economic Factors and Next Year's Budget

Declining property values due to the economy and foreclosures will continue to reduce revenue in the upcoming fiscal year. The decline in property values is projected to continue through fiscal year 2016 as outlined in the report by the city of Flint's emergency manager to the governor. A total decline of 29.4 percent is estimated from fiscal year 2014 through fiscal year 2016. 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.

Flint Public Library

Management's Discussion and Analysis (Continued)

The Library has proactively recorded chargebacks of \$74,000 for fiscal year 2013. It is anticipated that additional chargebacks for tax years 2010-2012 will continue to reduce future revenue. Management intends to work on additional estimates and adjust the property tax revenue in the budget as needed for fiscal year 2014 and future budgets.

Flint Public Library's adopted operating budget for the fiscal year ending June 30, 2014 as adopted in June 2013 is as follows:

Estimated revenues	\$2,996,106
Estimated use of fund balance	199,165
Estimated expenditures	<u>3,195,271</u>
Net	<u>\$ 0</u>

The budget, as adopted by the board of trustees, utilizes restricted funds of \$110,358, assigned net funds of \$4,197, and unassigned, uncommitted, and unrestricted funds of \$84,610. The budget includes a reduction in staff of 5.5 full-time equivalents. This reduction necessitated a reduction in the hours the Library was open to the public to one shift per day. The Library is now open five days, 45 hours per week. There was an overall reduction in other expenses of 12 percent.

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 100,000 citizens of Flint. Nor can the Library privately raise revenues to the extent of the losses. The stockholders have agreed to 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.

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, 2013

	Primary Government <u>Governmental</u> Activities	Friends of the <u>Library</u>
Assets		
Cash and cash equivalents (Note 2)	\$ 1,412,509	\$ 62,613
Investments	129,266	-
Receivables:		
Accrued interest receivable	93	-
Other receivables	7,793	-
Due from other governmental units	213,636	-
Due from primary government	-	1,005
Inventory	8,060	-
Prepaid expenses	80,688	-
Restricted cash and cash equivalents	20,000	-
Capital assets (Note 4):		
Assets not subject to depreciation	730,000	-
Assets subject to depreciation	<u>2,348,119</u>	<u>-</u>
Total assets	4,950,164	63,618
Liabilities		
Accounts payable	32,190	-
Due to other governmental units	141,774	-
Due to component units	1,005	-
Accrued liabilities and other	64,510	-
Deferred revenue (Note 3)	750	-
Noncurrent liabilities (Note 5):		
Due within one year - Compensated absences	39,768	-
Due in more than one year - Compensated absences	<u>281,949</u>	<u>-</u>
Total liabilities	<u>561,946</u>	<u>-</u>
Net Position		
Net investment in capital assets	3,078,119	-
Restricted for (Note 9):		
Expendable endowment	235,438	-
Nonexpendable endowment	20,000	-
Donor-restricted contributions	4,328	-
Programming	12,764	-
Unrestricted	<u>1,037,569</u>	<u>63,618</u>
Total net position	<u>\$ 4,388,218</u>	<u>\$ 63,618</u>

Flint Public Library

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs			
Primary government - Governmental activities - Library operations	<u>\$ 3,749,469</u>	<u>\$ 74,363</u>	<u>\$ 289,208</u>
Component unit - Friends of the Library	<u>\$ 27,240</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, 2013**

Net (Expense) Revenue and Changes in Net Position	
<u>Primary Government</u>	
<u>Governmental Activities</u>	<u>Friends of the FPL</u>
\$ (3,385,898)	\$ -
\$ -	\$ (27,240)
2,657,004	-
17,573	-
118,894	-
2,913	-
87,564	-
14,821	29,446
<u>2,898,769</u>	<u>29,446</u>
(487,129)	2,206
<u>4,875,347</u>	<u>61,412</u>
<u>\$ 4,388,218</u>	<u>\$ 63,618</u>

Flint Public Library

Governmental Fund Balance Sheet June 30, 2013

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 1,412,509
Investments	129,266
Receivables:	
Accrued interest receivable	93
Other receivables	7,793
Due from other governmental units	213,636
Inventory	8,060
Prepaid expenses	80,688
Restricted cash and cash equivalents	<u>20,000</u>
Total assets	<u><u>\$ 1,872,045</u></u>
Liabilities	
Accounts payable	\$ 32,190
Due to other governmental units	141,774
Due to component units	1,005
Accrued liabilities and other:	
Accrued salaries and wages	34,180
Payroll taxes and withholdings	30,330
Deferred revenue	<u>8,750</u>
Total liabilities	248,229
Fund Balances	
Nonspendable:	
Inventory	8,060
Prepays	80,688
Nonexpendable endowment	20,000
Restricted:	
Expendable endowment	235,438
Programming	12,764
Donor-restricted contributions	4,328
Assigned:	
Subsequent year's budget	199,165
Capital improvements	11,910
Programs and grants	104,337
Unassigned	<u>947,126</u>
Total fund balances	<u>1,623,816</u>
Total liabilities and fund balances	<u><u>\$ 1,872,045</u></u>

Flint Public Library

Governmental Fund Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2013

Fund Balance Reported in Governmental Fund	\$ 1,623,816
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	3,078,119
Grants and other 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	8,000
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	(193,836)
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>(127,881)</u>
Net Position of Governmental Activities	<u>\$ 4,388,218</u>

Flint Public Library

Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2013

	<u>General Fund</u>
Revenue	
Property taxes	\$ 2,657,004
Universal service fund rebates (E rate)	17,573
Penal fines	87,564
Grants and memorials	155,046
Charges for services	74,363
State aid	118,894
Investment income	2,913
Gifts	132,162
Miscellaneous revenue	<u>8,821</u>
Total revenue	3,254,340
Expenditures	
Current - Library operations:	
Salaries and wages	1,793,739
Employee benefits and taxes	729,830
Materials	283,216
Supplies and program expenses	149,130
Maintenance and utilities	271,364
Professional services	70,841
Rent	2,374
Communications	74,086
Dues and memberships	4,590
Printing and publishing	39,341
Library cards and other fees	28,527
Insurance	41,000
Grant and memorial expenditures	96,252
Transportation/Staff development	8,611
Capital outlay	<u>27,167</u>
Total expenditures	<u>3,620,068</u>
Net Change in Fund Balance	(365,728)
Fund Balance - Beginning of year	<u>1,989,544</u>
Fund Balance - End of year	<u><u>\$ 1,623,816</u></u>

Flint Public Library

Governmental Fund Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities Year Ended June 30, 2013

Net Change in Fund Balance - Total Governmental Fund \$ (365,728)

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	170,257
Depreciation expense	(251,470)
Net book value of assets disposed of	14,321

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	8,000
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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>(62,509)</u>
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Change in Net Position of Governmental Activities **\$ (487,129)**

Flint Public Library

Notes to Financial Statements June 30, 2013

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of Flint Public Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Flint Public 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 Unit - Friends of the Flint Public Library (FFPL) (a not-for-profit organization) is a separate legal entity formed solely to support Flint Public Library. Requests for financial statements of FFPL can be made to the officers of FFPL.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Note I - Nature of Business and Significant Accounting Policies (Continued)

The Library 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 revenue to be available if it is 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, 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 2014 expenditures.

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.

When an expense is incurred for the purpose for which both restricted and unrestricted net position or fund balance are available, the Library's policy is to first apply restricted resources. When an expense is incurred for purposes for which the amounts in any of the unrestricted fund balance classifications could be used, it is the Library's policy to spend funds in this order: committed, assigned, and unassigned.

Property Tax Revenue

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

The taxable valuation of the Library totaled approximately \$919 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 \$2.66 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.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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. 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.

Assets, Liabilities, and Net Position or Equity

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 \$15,222 at June 30, 2013.

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.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

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

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.

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.

Fund Equity

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
- **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.

Note I - Nature of Business and Significant Accounting Policies (Continued)

- 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 (III.4.1) that requires the establishment and maintenance of a three-month operating reserve. The current budget stabilization is approximately equivalent to a two-month operating reserve at \$825,000.

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.

Grants and Memorials and Deferred 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 deferred revenue until the eligibility requirements have been met.

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 \$203,912 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 - FFPL had \$62,613 in deposits that were fully insured at June 30, 2013.

Note 3 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue included \$750 of unearned revenue and \$8,000 of unavailable revenue.

Flint Public Library

Notes to Financial Statements June 30, 2013

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental Activities	Balance July 1, 2012	Adjustments	Additions	Disposals	Balance June 30, 2013
Capital assets not being depreciated:					
Land	\$ 530,000	\$ -	\$ -	\$ -	\$ 530,000
Other nondepreciable assets	200,000	-	-	-	200,000
Subtotal	730,000	-	-	-	730,000
Capital assets being depreciated:					
Buildings and improvements	2,524,912	-	-	-	2,524,912
Machinery and equipment	461,438	-	-	-	461,438
Books	1,839,412	-	170,257	(82,046)	1,927,623
Subtotal	4,825,762	-	170,257	(82,046)	4,913,973
Accumulated depreciation:					
Buildings and improvements	929,035	-	122,560	-	1,051,595
Machinery and equipment	256,742	-	7,259	-	264,001
Books	1,224,974	(14,321)	121,651	(82,046)	1,250,258
Subtotal	2,410,751	(14,321)	251,470	(82,046)	2,565,854
Net capital assets being depreciated	2,415,011	14,321	(81,213)	-	2,348,119
Net capital assets	<u>\$ 3,145,011</u>	<u>\$ 14,321</u>	<u>\$ (81,213)</u>	<u>\$ -</u>	<u>\$ 3,078,119</u>

As part of the transaction to "spin off" from the 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 the 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 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 of \$250 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 \$35,935 and terminal leave pay of \$3,833 will be paid within the next year.

Flint Public Library

Notes to Financial Statements June 30, 2013

Note 5 - Long-term Debt (Continued)

Long-term liability activity for the year ended June 30, 2013 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>
Compensated absences:					
Sick and vacation	\$ 207,773	\$ 1,310	\$ (15,247)	\$ 193,836	\$ 35,935
Terminal leave	51,435	80,369	(3,923)	127,881	3,833
Total	<u>\$ 259,208</u>	<u>\$ 81,679</u>	<u>\$ (19,170)</u>	<u>\$ 321,717</u>	<u>\$ 39,768</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.
- 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, 2013 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.

Flint Public Library

Notes to Financial Statements June 30, 2013

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 \$116,247 at June 30, 2013 is comprised of capital improvements of \$11,910 and programs and grants of \$104,337.

Note 9 - Restricted Net Position - Endowment

The expendable and nonexpendable portions of endowment at June 30, 2013 are comprised of the following:

Primary Government

	<u>Restricted - Expendable</u>	<u>Restricted - Nonexpendable</u>	<u>Total</u>
Endowment:			
Library Building Fund	\$ 4,476	\$ -	\$ 4,476
Goering Fund	42,574	-	42,574
Scott Memorial Fund	40,502	20,000	60,502
Library Special Fund (Curtis)	<u>147,886</u>	<u>-</u>	<u>147,886</u>
Total restricted net position	<u>\$ 235,438</u>	<u>\$ 20,000</u>	<u>\$ 255,438</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:

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

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 (MERS) 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 included 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 2013 and 2012 were 5.9 percent and 6.98 percent of covered payroll, respectively.

Annual Pension Cost - For the year ended June 30, 2013, the Library's annual pension cost of \$55,329 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, 2010, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (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		
	2013	2012	2011
Annual pension cost (APC)	\$ 55,329	\$ 73,025	\$ 85,737
Net pension obligation	\$ -	\$ -	\$ -

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

	Fiscal Year Ended June 30		
	2012	2011	2010
Actuarial value of assets	\$ 1,327,275	\$ 1,194,580	\$ 1,042,074
Actuarial accrued liability (AAL)			
(entry age)	\$ 1,116,062	\$ 1,006,483	\$ 903,330
Unfunded AAL (UAAL)	\$ (211,213)	\$ (188,097)	\$ (138,744)
Funded ratio	118.9 %	118.7 %	115.4 %
Covered payroll	\$ 953,261	\$ 1,040,228	\$ 1,104,573
UAAL as a percentage of covered payroll	(22.2)%	(18.1)%	(12.6)%

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 Schools Employees' Retirement System (MPSERS). The plan description, funding policy, and description of other postemployment benefits follow:

Plan Description - MPSERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPSERS 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 Systems issues a publicly available financial report that includes financial statements and required supplemental information for MPSERS. That report may be obtained by writing to Michigan Public Schools 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 \$769,441. 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 16.25 percent for the period from July 1, 2012 through June 30, 2013. 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, 2013 and 2012 were \$186,289 and \$121,662, respectively.

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

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

	First Worked on 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	9.11 %	9.11 %	8.18 %	8.18 %

* Basic, MIP Fixed, MIP Graded, MIP Plus

** Pension Plus

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	15.21 %	15.02 %	15.02 %	12.78 %	12.78 %	12.78 %	15.21 %
Health contributions	9.11 %	9.11 %	8.18 %	8.18 %	9.11 %	8.18 %	8.18 %
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, 2012 comprehensive annual financial report.

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

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 8.5 percent of covered payroll for the period from July 1, 2012 through September 30, 2012. For the period from October 1, 2012 through June 30, 2013, the employer contribution rate ranged from 8.18 percent to 9.11 percent dependent upon the employee's date of hire and plan election as noted above. 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.

The employer contribution rate was 9.11 percent of covered payroll for the period from July 1, 2012 through June 30, 2013. The Library's required actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2013 and 2012 were \$70,403 and \$64,795, 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 Flint Public Library investment earnings annually. The total market value of the Fund held by the Foundation at June 30, 2013 was \$173,340. During the year ended June 30, 2013, new gifts in the amount of \$500 were made to the Fund and the net investment gain amounted to \$16,985.

Note 13 - Accounting and Reporting Change

During the year, the Library adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. The statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The statement impacts the format and reporting of the balance sheet at the government-wide level.

Note 14 - Upcoming Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the Library as of June 30, 2014.

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.

Required Supplemental Information

Flint Public Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,153,335	\$ 2,706,921	\$ 2,657,004	\$ (49,917)
Universal service fund rebates (E rate)	67,378	17,572	17,573	1
Penal fines	124,000	94,000	87,564	(6,436)
Grants and memorials	17,150	151,428	155,046	3,618
Charges for services	73,800	71,691	74,363	2,672
State aid	45,793	51,055	118,894	67,839
Investment income	5,000	2,882	2,913	31
Gifts	21,500	26,143	26,143	-
Miscellaneous revenue	128,727	4,644	8,821	4,177
Total revenue	3,636,683	3,126,336	3,148,321	21,985
Expenditures - Current				
Library operations:				
Salaries and wages	1,742,921	1,744,481	1,726,137	18,344
Employee benefits and taxes	751,521	678,085	729,770	(51,685)
Materials	328,375	296,825	283,216	13,609
Supplies and program expenses	151,600	120,683	115,893	4,790
Maintenance and utilities	307,270	285,470	271,364	14,106
Professional services	69,343	64,812	65,631	(819)
Rent	2,850	2,850	2,374	476
Communications	108,223	77,000	74,086	2,914
Dues and memberships	6,800	5,000	4,407	593
Printing and publishing	32,200	31,000	29,626	1,374
Library cards and other fees	30,955	30,505	28,294	2,211
Insurance	35,000	41,000	41,000	-
Grant and memorial expenditures	18,200	112,567	96,252	16,315
Transportation/Staff development	17,100	10,829	8,611	2,218
Total library operations	3,602,358	3,501,107	3,476,661	24,446
Capital outlay	32,440	31,750	27,167	4,583
Total expenditures	3,634,798	3,532,857	3,503,828	29,029
Net Change in Fund Balance	1,885	(406,521)	(355,507)	51,014
Fund Balance - Beginning of year	1,989,544	1,989,544	1,989,544	-
Fund Balance - End of year	<u>\$ 1,991,429</u>	<u>\$ 1,583,023</u>	<u>\$ 1,634,037</u>	<u>\$ 51,014</u>

Flint Public Library

Note to Required Supplemental Information Year Ended June 30, 2013

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is shown below. This reconciliation illustrates the effects of GASB Statement No. 54 on the General Fund. A fund that was set up internally to track development activity during the year does not meet the definition of a special revenue fund and has been combined with the General Fund on the fund-based statements.

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
General Fund			
Amounts per budget statement	\$ 3,148,321	\$ 3,503,828	\$ 1,634,037
Less amounts for Development Fund	<u>106,019</u>	<u>116,240</u>	<u>(10,221)</u>
Amounts per operating statement	<u>\$ 3,254,340</u>	<u>\$ 3,620,068</u>	<u>\$ 1,623,816</u>

October 14, 2013

To the Library Board
Flint Public Library

We have audited the financial statements of Flint Public Library (the "Library") as of and for the year ended June 30, 2013 and have issued our report thereon dated October 14, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 5, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Flint Public Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 19, 2013.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Flint Public Library are described in Note 1 to the financial statements.

As described in Note 13, the Library changed accounting policies related to the adoption of GASB Statement No. 63. The new statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. The statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The statement impacts the format and reporting of the balance sheet at the government-wide level and also at the fund level. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the financial statements was the useful lives of capital assets. Useful lives of capital assets are based on management's estimate of their lives. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Library, and business plans and strategies that may affect the risks of material misstatement with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

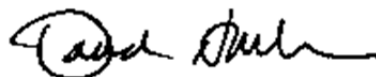
We would like to take this opportunity to thank the Library's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This information is intended solely for the use of the Library board and management of Flint Public Library and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



Tadd Harburn, CPA



Chrystal Simpson, CPA