

# **Flint Public Library**

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**Financial Report  
with Supplemental Information  
June 30, 2016**

# 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 the Flint Public Library (the "Library") as of and for the year ended June 30, 2016 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 opinion.

To the Board of Directors  
Flint Public Library

***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, 2016 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.

***Other 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, schedule of changes in the Library's net pension asset and related ratios, schedules of Library contributions, and the schedule of the Library's proportionate share of the net pension liability, 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 5, 2016

# Flint Public Library

## Managements Discussion and Analysis

This section of the 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, 2016. 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 2016, total tax collections were \$2,867,959. This represents approximately 76 percent of total revenue. A millage increase of .6 mills was approved by the voters in November 2015.
- The Library received a grant for operations in 2016. A grant of \$300,000 was received from the Ruth Mott Foundation for general operations and the African/African Diaspora Writers Series. The grants represent approximately 8 percent of total revenue.
- Personnel costs are the largest overall expenditure of the Library. For 2016, salaries, benefits, and taxes totaled \$1,972,237 after full accrual basis adjustments, representing approximately 61 percent of the Library's total expenditures.
- Library materials (e.g., books, CDs, DVDs, electronic databases, etc.) of \$283,060 are one of the largest overall expenditures of the Library. This represents approximately 9 percent of the Library's total expenditures.
- Total expenditures for the entire year before depreciation were \$3,246,758.
- The Library's net position increased by \$496,962 during the year ended June 30, 2016. Depreciation expense was \$207,853. The increase in net position is the result of the increase in the millage for the Library as approved by the residents of the City of Flint, the operating grant from the Ruth Mott Foundation, and continued conservative, frugal budget management by the management team of the Library. It also includes current year recording of pension liability expenses as required by the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68).

# Flint Public Library

## Managements Discussion and Analysis (Continued)

### 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.

The implementation of GASB 68 is accounted for in the government-wide statements. The net effect to the government-wide statements was a net pension liability of \$1,521,094. This figure includes deferred outflows of \$503,620, deferred inflows of \$(87,836), net pension asset of \$50,047, and net pension liability of \$(1,986,925).

### 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. 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 \$3.3 million at the close of the most recent fiscal year (see table below).

# Flint Public Library

## Managements Discussion and Analysis (Continued)

	Governmental Activities				Percent Change
	2014	2015	2016	Change	
<b>Assets</b>					
Other assets	\$ 2,314,183	\$ 2,676,293	\$ 2,989,155	\$ 312,862	12%
Capital assets	<u>2,842,400</u>	<u>2,638,744</u>	<u>2,566,635</u>	<u>(72,109)</u>	-3%
Total assets	5,156,583	5,315,037	5,555,790	240,753	5%
<b>Deferred Outflows of Resources</b>	-	218,545	503,620	285,075	130%
<b>Liabilities</b>					
Current liabilities	252,966	259,517	325,381	65,864	25%
Long-term liabilities	<u>325,881</u>	<u>2,225,152</u>	<u>2,309,022</u>	<u>83,870</u>	4%
Total liabilities	578,847	2,484,669	2,634,403	149,734	6%
<b>Deferred Inflows of Resources</b>	-	<u>208,704</u>	<u>87,836</u>	<u>(120,868)</u>	-58%
<b>Net Position</b>					
Net investment in capital assets	2,842,400	2,638,744	2,566,635	(72,109)	-3%
Restricted	278,703	237,154	232,907	(4,247)	-2%
Unrestricted	<u>1,456,633</u>	<u>(35,689)</u>	<u>537,629</u>	<u>573,318</u>	-1606%
Total net position	<u>\$ 4,577,736</u>	<u>\$ 2,840,209</u>	<u>\$ 3,337,171</u>	<u>\$ 496,962</u>	17%

	Governmental Activities				Percent Change
	2014	2015	2016	Change	
<b>Revenue</b>					
Property taxes	\$ 2,332,702	\$ 2,356,348	\$ 2,867,959	\$ 511,611	22%
Other revenue	<u>1,372,022</u>	<u>998,196</u>	<u>925,473</u>	<u>(72,723)</u>	-7%
Total revenue	3,704,724	3,354,544	3,793,432	438,888	13%
<b>Program Expenses - General government</b>	<u>3,514,506</u>	<u>3,611,419</u>	<u>3,296,470</u>	<u>(314,949)</u>	-9%
<b>Change in Net Position</b>	<u>\$ 190,218</u>	<u>\$ (256,875)</u>	<u>\$ 496,962</u>	<u>\$ 753,837</u>	-293%

Total net position for the Library increased \$496,962 during the year ended June 30, 2016.

Total revenue increased by \$438,888, or 13 percent, while expenses decreased \$314,949, or -9 percent.

Property tax revenue increased by 22 percent. An operating millage proposal was presented to voters in the city of Flint in November 2015; the proposal passed with 73 percent approval by those who voted. This increased the operating millage for the library from a total of 3.4 mills to 4.0 mills, of which 2.0 mills are in perpetuity and 2.0 mills expire in 2021. The Library still maintains an allowance of \$133,300 for potential chargebacks on the tax roll to mitigate the effect on current year revenue.

# Flint Public Library

## Managements Discussion and Analysis (Continued)

The decrease in other revenue is attributable to the use of assigned fund balance from grants received in FY 2015 funding programs in both FY 2015 and FY 2016. The grant revenue was recognized for accounting purposes in the fiscal year ended June 30, 2015. A total of \$12,155 was used from assigned fund balance in FY 2016 for grant purposes.

Additionally, the Board of Trustees implemented a policy that reduced fines and fees for all children's materials. The intent of the change was to ensure that families have access to materials to foster early literacy and build a community of readers.

The decrease in expenses was the result of utilizing assigned fund balance and current year grants received for programming; the amount available to spend was less than originally budgeted. Operating expenditures, not attributable to grants, increased \$27,645 during the year.

### **The Library's Fund**

Our analysis of the Library's major fund begins on page 15, following the government-wide financial statements. The fund financial statements provide detailed information about the General Fund, the Library's major fund for 2016, 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.

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



# Flint Public Library

## Managements Discussion and Analysis (Continued)

	Governmental Fund - General Fund				Percent
	2014	2015	2016	Change	Change
<b>Revenue</b>					
Property taxes	\$ 2,271,769	\$ 2,356,348	\$ 2,867,959	\$ 511,611	22%
Universal service fund rebates (E rate)	96,077	55,287	38,727	(16,560)	-30%
Charges for services	82,971	57,512	43,491	(14,021)	-24%
Penal fines	91,187	70,000	125,575	55,575	79%
Grants and memorials	857,560	671,650	533,606	(138,044)	-21%
State aid	203,275	159,218	149,815	(9,403)	-6%
Investment income	3,897	11,119	9,786	(1,333)	-12%
Gifts	34,800	25,564	21,220	(4,344)	-17%
Miscellaneous	1,555	6,796	3,253	(3,543)	-52%
<b>Total revenue</b>	<b>3,643,091</b>	<b>3,413,494</b>	<b>3,793,432</b>	<b>379,938</b>	<b>11%</b>
<b>Expenditures</b>					
Current:					
Salaries and wages	1,567,337	1,406,116	1,418,272	12,156	1%
Employee benefits and taxes	772,168	662,005	553,965	(108,040)	-16%
Materials	175,276	225,542	283,060	57,518	26%
Supplies	113,304	151,841	181,065	29,224	19%
Maintenance and utilities	254,692	265,593	251,868	(13,725)	-5%
Professional services	71,041	64,290	109,436	45,146	70%
Rent	2,372	2,342	3,299	957	41%
Communications	90,292	91,822	83,774	(8,048)	-9%
Dues and memberships	4,494	2,745	4,010	1,265	46%
Printing and publishing	29,456	26,707	17,829	(8,878)	-33%
Library cards and other fees	26,123	25,579	26,400	821	3%
Insurance	36,207	31,408	34,928	3,520	11%
Grant and memorial expenditures	64,179	281,395	100,874	(180,521)	-64%
Transportation/Staff development	7,167	11,062	19,839	8,777	79%
Capital outlay	61,215	91,578	158,139	66,561	73%
<b>Total expenditures</b>	<b>3,275,323</b>	<b>3,340,025</b>	<b>3,246,758</b>	<b>(93,267)</b>	<b>-3%</b>
<b>Net Change in Fund Balance</b>	<b>367,768</b>	<b>73,469</b>	<b>546,674</b>	<b>473,205</b>	<b>644%</b>
<b>Fund Balance - Beginning of year</b>	<b>1,623,816</b>	<b>1,991,584</b>	<b>2,065,053</b>	<b>73,469</b>	<b>4%</b>
<b>Fund Balance - End of year</b>	<b>\$ 1,991,584</b>	<b>\$ 2,065,053</b>	<b>\$ 2,611,727</b>	<b>\$ 546,674</b>	<b>26%</b>

### Capital Assets

At the end of 2016, the Library had capital assets of \$2,566,635 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 including capital improvements net of accumulated depreciation is \$1,673,546. This net amount complies with methods established by Governmental Accounting Standards Board (GASB) Statement No. 34.

# Flint Public Library

## Managements Discussion and Analysis (Continued)

### Long-term Debt

At year end, the Library had \$175,987 owed to employees for compensated absences and \$146,110 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 stabilized after four years of declines in property tax values in the City of Flint along with the additional operating millage assessed in December 2015. The Library proactively maintained an allowance for estimated chargebacks of \$133,300.
- Sales, fees, and fines increased from the amendment budget by the increased amount of penal fines received and accounted for in FY 2016. Penal fine receipts were \$125,575 in FY 2016 inclusive of \$32,384 received in August 2015.
- Grants and special program revenue increased during the fiscal year 2016 due to grant awards received for various programs.
- Gifts and donations increased due to the receipt of an operating grant of \$300,000 from the Ruth Mott Foundation to aid in developing the new strategic initiatives. A portion of the grant, approximately \$220,000, not spent in FY 2016 was assigned to FY 2017.

### Expenditures

- The Board of Trustees voted to not renew the collective bargaining agreement between Service Employees International Union - Custodial Employees and the Library effective June 30, 2016. This resulted in slightly increased expenditures for employee payouts. Decreases in final year end accrued wages led to a reduction in expenses for facilities.
- Library and program services expenditures were increased in the budget but actual results reflect a decrease. This is a result of the physical review of the materials collection utilizing Collection HQ software and the impact on the materials budget for the year (fewer materials were purchased as we determined what materials were actually needed to meet patron needs). Expenditures planned as part of the planning the new strategic initiatives were not as great in FY 2016 as budgeted. Those expenditures will occur in FY 2017.
- An overall conservative, frugal approach due to uncertainty regarding the millage proposal and revenue led to reduced spending throughout the fiscal year.

# Flint Public Library

## Managements Discussion and Analysis (Continued)

### Economic Factors and Next Year's Budget

Property values are projected to reduce 6 percent in fiscal year 2017 as a result of the removing personal property from the commercial assessment roles. Foreclosures and abandoned property will continue to reduce revenue in the upcoming fiscal year. Discussions with officials at the city and county level revealed that the impact on property values of the water emergency in the City of Flint is unknown; the library took a conservative approach to budgeting for property tax revenue due to this uncertainty.

The management of the Library continues to be committed to operating the Library within the revenue provided. Libraries in Michigan are funded almost completely at the local level through property tax revenue. 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 maintained a liability for chargebacks of \$133,300 for fiscal year 2017 and reduced anticipated collections by 8 percent based on a methodology for determining reductions for past property tax chargebacks.

Flint Public Library's adopted operating budget for the fiscal year ending June 30, 2017 as adopted in June 2016 is as follows:

Estimated revenue	\$ 3,144,709
Estimated use of fund balance	318,785
Estimated expenditures	<u>3,463,494</u>
Net	<u>\$ -</u>

The budget, as adopted by the board of trustees, used assigned net funds of \$305,088 and unassigned, uncommitted, and unrestricted funds of \$13,695. Approximately \$220,000 of the assigned net funds were from the Ruth Mott Foundation operating grant which overlapped fiscal years. The FY 2017 budget as presented was based on the assumption that tax revenue will decrease an aggregate of 4 percent. Expenditures as presented preserved the Library's current days and hours of operation. The collaboration between the Flint Cultural Center Corporation for outside maintenance was modified to include custodial and inside maintenance services. The collaboration with the Flint Institute of Arts for security services will continue.

# Flint Public Library

## Managements Discussion and Analysis (Continued)

The Library undertook a planning process with nationally recognized library experts from Library Strategies International between July 2014 and February 2015. The goal of the planning was to develop a new model of library service that aligns library services with community needs as expressed in the City of Flint Master Plan and the Flint and Genesee Literacy Network's Plan for Improving Community Literacy and that can be made financially sustainable over time.

The planning process led to two significant decisions to stabilize the budget and ensure future viability:

First, the placement of the successful millage proposal on the November 2015 ballot.

Second, the board and Library leadership have established a new model of library service that will result in a transformation plan for the Flint Public Library.

*Our vision is to become Flint's "go to" place to learn for life.*

We plan to transform this library into a future-focused, sustainable resource that not only supports, but also leads, Flint's vision for the future. This plan began in FY 2016 and will continue over the next year. The plan will channel Library resources (money and staff) into three key service priority areas to:

- Inspire creativity through digital literacy
- Support family literacy
- Encourage interaction in a community space

Management and professional staff have begun the training to implement the Results-Based Accountability system to facilitate this process. Results-Based Accountability (RBA) is a disciplined way of thinking and taking action used by communities as a whole. RBA is also used by agencies to improve the performance of their programs. The core of RBA is the "Turn-The-Curve" score card for the decision-making process. The purpose of the score cards is for agencies to determine:

*"How much did we do? How well did we do it? Is anyone better off?"*

(Ref: Results-Based Accountability Guide - 2016 copyright by Clear Impact)

The RBA process will be used as the Library determines the programming to fit the key service priority areas and during the budget process as part of ensuring the budget reflects the funding of the key service priority areas.

The Library has initiated a process towards a conceptual building program that will engage a library-specialist architect to identify options for a renovation to improve staffing efficiency and to facilitate providing future-focused services. The Library was awarded a grant from the C.S. Mott Foundation to begin working toward a renovation plan.

# **Flint Public Library**

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## **Managements Discussion and Analysis (Continued)**

We stated previously that if both the millage and building renovation occur over the next several years, the Flint Public Library will be positioned to achieve long-term financial sustainability. The process has begun with the approval of the millage, the grant from the Ruth Mott Foundation for capacity building and work towards the strategic initiatives. It will continue with the grant from the C.S. Mott Foundation for the renovation plan. We are excited for our future and for our community!

### **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 48503.

# Flint Public Library

## Statement of Net Position June 30, 2016

	Primary Government	
	Governmental Activities	Discretely Presented Component Unit - Friends of the Library
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 2,412,995	\$ 59,521
Investments	251,725	-
Receivables:		
Accrued interest receivable	1,977	-
Other receivables	11,250	-
Due from other governmental units	126,905	-
Inventory	5,732	-
Prepaid expenses	128,524	-
Net pension asset (Note 8)	50,047	-
Capital assets (Note 3):		
Assets not subject to depreciation	730,000	-
Assets subject to depreciation	1,836,635	-
Total assets	5,555,790	59,521
<b>Deferred Outflows of Resources</b> (Notes 8 and 9)		
Difference between expected and actual experience	41,172	-
Changes in assumptions	128,875	-
Contributions to the plan subsequent to the measurement date	188,260	-
Net difference between projected and actual earnings on pension plan investments	141,419	-
Changes in proportion and differences between reporting unit contributions and proportionate share of contributions	3,894	-
Total deferred outflows of resources	503,620	-
<b>Liabilities</b>		
Accounts payable	123,945	-
Due to other governmental units	133,300	-
Accrued liabilities and other	68,136	-
Noncurrent liabilities (Note 4):		
Due within one year - Compensated absences and terminal leave	37,960	-
Due in more than one year - Compensated absences and terminal leave	284,137	-
Net pension liability (Note 9)	1,986,925	-
Total liabilities	2,634,403	-
<b>Deferred Inflows of Resources</b> (Note 9)		
Differences between expected and actual experience	6,581	-
Changes in proportion and differences between reporting unit contributions and proportionate share of contributions	81,255	-
Total deferred inflows of resources	87,836	-
<b>Net position</b>		
Net investment in capital assets	2,566,635	-
Restricted for (Note 7):		
Expendable endowment	189,729	-
Nonexpendable endowment	20,000	-
Donor-restricted contributions	10,402	-
Programming	12,776	-
Unrestricted	537,629	59,521
Total net position	\$ 3,337,171	\$ 59,521

# Flint Public Library

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Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government - Governmental activities - Library operations	<u>\$ 3,296,470</u>	<u>\$ 43,491</u>	<u>\$ 554,826</u>
Component unit - Friends of the Library	<u>\$ 19,654</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:			
			Property taxes
			Universal service fund rebates (E rate)
			State aid
			Investment income
			Penal fines
			Other miscellaneous income
			Total general revenue
<b>Change in Net Position</b>			
<b>Net Position - Beginning of year</b>			
<b>Net Position - End of year</b>			

**Statement of Activities  
Year Ended June 30, 2016**

Net (Expense) Revenue and Changes in Net Position	
<u>Primary Government</u>	
<u>Governmental Activities</u>	<u>Friends of the FPL</u>
<b>\$ (2,698,153)</b>	<b>\$ -</b>
\$ -	\$ (19,654)
2,867,959	-
38,727	-
149,815	-
9,786	401
125,575	-
3,253	21,227
<u>3,195,115</u>	<u>21,628</u>
496,962	1,974
<u>2,840,209</u>	<u>57,547</u>
<b><u>\$ 3,337,171</u></b>	<b><u>\$ 59,521</u></b>



# Flint Public Library

## Governmental Fund Balance Sheet June 30, 2016

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,412,995
Investments	251,725
Receivables:	
Accrued interest receivable	1,977
Other receivables	11,250
Due from other governmental units	126,905
Inventory	5,732
Prepaid expenses	<u>128,524</u>
Total assets	<u><b>\$ 2,939,108</b></u>
<b>Liabilities</b>	
Accounts payable	\$ 123,945
Due to other governmental units	133,300
Accrued liabilities and other	<u>68,136</u>
Total liabilities	325,381
<b>Deferred Inflows of Resources</b> - Unavailable pledge revenue	2,000
<b>Fund Balances</b>	
Nonspendable:	
Inventory	5,732
Prepays	128,524
Nonexpendable endowment	20,000
Restricted:	
Expendable endowment	189,729
Programming	12,776
Donor-restricted contributions	10,402
Assigned:	
Subsequent year's budget	260,696
Technology purchases	25,550
Programs and grants	374,398
Unassigned	<u>1,583,920</u>
Total fund balances	<u>2,611,727</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><b>\$ 2,939,108</b></u>

# Flint Public Library

## Governmental Fund Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2016

<b>Fund Balance Reported in Governmental Fund</b>	\$ 2,611,727
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	2,566,635
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	2,000
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	(175,987)
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	(146,110)
Deferred outflows of resources related to pension - difference between expected and actual experience, difference between projected and actual investment earnings, changes in assumptions, changes in proportion and differences between reporting unit contributions and proportionate share of contributions, and contributions made to the plan after the measurement date (MERS and MPSERS)	503,620
Deferred inflows of resources related to pension - difference between expected and actual experience projected and actual investment earnings and changes in proportion and differences between reporting unit contributions and proportionate share of contributions (MPSERS)	(87,836)
Net pension asset is not due as a receivable in the current period and is not reported in the funds	50,047
Net pension liability is not due and payable in the current period and is not reported in the funds	<u>(1,986,925)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 3,337,171</u></b>

# Flint Public Library

## Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2016

	<u>General Fund</u>
<b>Revenue</b>	
Property taxes	\$ 2,867,959
Universal service fund rebates (E rate)	38,727
Penal fines	125,575
Grants and memorials	533,606
Charges for services	43,491
State aid	149,815
Investment income	9,786
Gifts	21,220
Miscellaneous revenue	<u>3,253</u>
Total revenue	3,793,432
<b>Expenditures</b>	
Current - Library operations:	
Salaries and wages	1,418,272
Employee benefits and taxes	553,965
Materials	283,060
Supplies and program expenses	181,065
Maintenance and utilities	251,868
Professional services	109,436
Rent	3,299
Communications	83,774
Dues and memberships	4,010
Printing and publishing	17,829
Library cards and other fees	26,400
Insurance	34,928
Grant and memorial expenditures	100,874
Transportation/Staff development	19,839
Capital outlay	<u>158,139</u>
Total expenditures	<u>3,246,758</u>
<b>Net Change in Fund Balance</b>	546,674
<b>Fund Balance - Beginning of year</b>	<u>2,065,053</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 2,611,727</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, 2016**

**Net Change in Fund Balance - Total Governmental Fund** \$ 546,674

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	213,032
Depreciation expense	(273,795)
Net book value of assets disposed of	(11,346)

Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(8,682)
---	---------

Decrease 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	15,195
--	--------

The change in the net pension asset is recorded when incurred in the statement of activities	(66,668)
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The change in the net pension liability is recorded when incurred in the statement of activities	82,552
--	--------

**Change in Net Position of Governmental Activities** \$ 496,962

### **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 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 the 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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 revenue 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 2017 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 \$133,300 at June 30, 2016.

**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** - The Library offers a defined benefit pension plan to its employees through the Municipal Employees' Retirement System of Michigan (MERS). The Library records a net pension asset for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Library's pension plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS), and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.



### Note I - Summary of Significant Accounting Policies (Continued)

**Other Postemployment Benefit Costs** - The Library offers 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, 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 represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Due to the implementation of GASB 68, the Library has deferred outflows of resources related to the defined benefit pension plan, made up the difference between expected and actual experience, difference between projected and actual investment earnings, changes in assumptions, changes in proportion, and differences between reporting unit contributions and proportionate share of contributions, and contributions made to the plan after the measurement date.

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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Library has three items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue from pledges is 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. The Library also has deferred outflows of resources related to the defined benefit pension plan for MPERS, made up of the difference between expected and actual experience projected and actual investment earnings and changes in proportion and differences between reporting unit contributions and proportionate share of contributions.

### Note I - Summary of Significant Accounting Policies (Continued)

#### 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
- **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 of library services, or director of finance, who are authorized by resolution approved by the governing body to make assignments

### Note I - Summary of Significant Accounting Policies (Continued)

- 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 \$733 million, on which ad valorem taxes levied consisted of 4 mills for the Library's operating purposes. The ad valorem taxes levied raised approximately \$2.86 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. In November 2015, an additional increase of .6 mills was passed and took effect during fiscal year 2016.

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.

**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 FirstMerit Bank, Bank of America, Talmer 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 \$1,090,258 of bank deposits (certificates of deposit and 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, 2016.

The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. As of June 30, 2016, all cash and investments owned by the Library are properly valued at cost; therefore there is no fair value hierarchy applicable.

# Flint Public Library

## Notes to Financial Statements June 30, 2016

### Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
<b>Governmental Activities</b>				
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	2,570,820	-	-	2,570,820
Machinery and equipment	473,455	89,737	-	563,192
Books	1,757,695	123,295	(77,288)	1,803,702
Subtotal	4,801,970	213,032	(77,288)	4,937,714
Accumulated depreciation:				
Buildings and improvements	1,300,768	126,506	-	1,427,274
Machinery and equipment	397,670	41,461	-	439,131
Books	1,194,788	105,828	(65,942)	1,234,674
Subtotal	2,893,226	273,795	(65,942)	3,101,079
Net capital assets being depreciated	1,908,744	(60,763)	(11,346)	1,836,635
Net capital assets	<u>\$ 2,638,744</u>	<u>\$ (60,763)</u>	<u>\$ (11,346)</u>	<u>\$ 2,566,635</u>

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 4 - 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 \$110 to \$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 \$37,177 and terminal leave pay of \$783 will be paid within the next year.

### Note 4 - Long-term Debt (Continued)

Long-term liability activity for the year ended June 30, 2016 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	\$ 175,975	\$ 27,693	\$ (27,682)	\$ 175,986	\$ 37,177
Terminal leave	<u>161,318</u>	<u>36,171</u>	<u>(51,378)</u>	<u>146,111</u>	<u>783</u>
Total governmental activities	<u>\$ 337,293</u>	<u>\$ 63,864</u>	<u>\$ (79,060)</u>	<u>\$ 322,097</u>	<u>\$ 37,960</u>

### Note 5 - 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, 2016 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, 2016

### Note 6 - 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 7 - Restricted Net Position - Endowment

The expendable and nonexpendable portions of endowment at June 30, 2016 are comprised of the following:

#### Primary Government

	Restricted - Expendable	Restricted - Nonexpendable	Total
Scott Memorial Fund	\$ 40,892	\$ 20,000	\$ 60,892
Library Special Fund (Curtis)	148,837	-	148,837
Total restricted net position	<u>\$ 189,729</u>	<u>\$ 20,000</u>	<u>\$ 209,729</u>

### Note 8 - Agent Defined Benefit Pension Plan Description

**Plan Description** - The Library participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS of Michigan), that covers all employees of the Library. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmich.com](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

**Benefits Provided** - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The Library has no fiduciary responsibility for the plan. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all union and nonunion employees hired after July 2000.

Employees are eligible for full retirement benefits upon completion of 25 years of service or at age 50, age 60 with 10 years of service, or upon completion of 30 years of service. Straight-life pension is calculated as follows: credited service at time of termination multiplied by 1.5 percent of the member's final average compensation (five highest consecutive years within the last 10 years of employment), with no maximum percent of final average compensation.

### Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

**Employees Covered by Benefit Terms** - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	<u>17</u>
Total employees covered by MERS	<u><u>28</u></u>

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

The plan provides that the employer contributes the amount necessary to fund the actuarially determined benefits. The Library makes employer contributions in accordance with funding requirements determined by the system's actuary. The Library's current rate is 2.38 percent of annual covered payroll. The Library's required and actual contributions to the plan for the years ended June 30, 2016 and 2015 were \$24,100 and \$31,762, respectively.

#### **Net Pension Asset**

The net pension asset reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.



# Flint Public Library

## Notes to Financial Statements June 30, 2016

### Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

Changes in the net pension asset during the measurement year were as follows:

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension (Asset)
<b>Balance at December 31, 2014</b>	\$ 1,132,336	\$ 1,473,376	\$ (341,040)
Service cost	48,927	-	48,927
Interest	94,763	-	94,763
Experience differences	49,406	-	49,406
Changes in assumptions	95,944	-	95,944
Contributions - Employer	-	24,100	(24,100)
Net investment income	-	(22,779)	22,779
Benefit payments, including refunds	(16,306)	(16,306)	-
Administrative expenses	-	(3,274)	3,274
Net changes	272,734	(18,259)	290,993
<b>Balance at December 31, 2015</b>	<u>\$ 1,405,070</u>	<u>\$ 1,455,117</u>	<u>\$ (50,047)</u>

### Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2016, the Library recognized pension expense of \$83,575. At June 30, 2016, the Library reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 41,172
Changes in assumptions	79,953
Net difference between projected and actual earnings on pension plan investments	131,277
Employer contributions to the plan subsequent to the measurement date	8,764
Total	<u>\$ 261,166</u>

### Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$8,764), which will impact the net pension asset in fiscal year 2017, rather than pension expense.

Years Ending June 30	Amount
2017	\$ 58,350
2018	58,350
2019	58,350
2020	53,129
2021	24,223

**Actuarial Assumptions** - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%	
Salary increases	3.75%	In the long term, including inflation
Rate of return	8%	Gross of pension plan investment expense

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For disabled retirees the mortality rates were based on the 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree Mortality Tables.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

### Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

#### Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58.00 %	5.00 %
Global fixed income	20.00	2.20
Real assets	13.00	4.23
Diversifying strategies	10.00	6.56

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Library, calculated using the discount rate of 8.00 percent, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability (asset) of the Library	\$ 281,386	\$ (50,047)	\$ (138,878)

### **Note 8 - Agent Defined Benefit Pension Plan Description (Continued)**

**Pension Plan Fiduciary Net Position** - Detailed information about the Plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

### **Note 9 - Michigan Public School Employees' Retirement System**

**Plan Description** - The Library participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers employees of the Library hired prior to July 1, 2000. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

**Contributions** - Public Act 300 of 1980, as amended, required the Library to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. Under these provisions, each entity's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

The Library's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

### Note 9 - Michigan Public School Employees' Retirement System (Continued)

The range of rates is as follows:

#### School District

July 1, 2014 - September 30, 2014	15.44% - 18.34%
October 1, 2014 - September 30, 2015	18.76% - 23.07%
October 1, 2015 - June 30, 2016	14.56% - 18.95%

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 required and actual contributions to the plan for the years ended June 30, 2016 and 2015 were \$159,186 and \$217,708, respectively. Contributions include \$82,831 and \$98,327 of revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) stabilization rate for the year ended June 30, 2016.

**Benefits Provided** - Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.



### Note 9 - Michigan Public School Employees' Retirement System (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow. These amounts are exclusive of employer contributions made to the plan subsequent to the measurement date (\$179,496), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

Years Ending <u>June 30</u>	<u>Amount</u>
2017	\$ (15,244)
2018	(15,244)
2019	(17,897)
2020	23,507
2021	-
Thereafter	<u>-</u>
Total	<u>\$ (24,878)</u>

**Actuarial Assumptions** - The total pension liability as of September 30, 2015 is based on the results of an actuarial valuation date of September 30, 2014 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.00 to 8.00 percent, net of investment and administrative expenses based on the groups
Rate of pay increases	3.50 to 12.30 percent, including wage inflation at 3.50 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA

The actuarial assumptions used for the September 30, 2014 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

### Note 9 - Michigan Public School Employees' Retirement System (Continued)

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00 to 8.00 percent depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.0 %	5.9 %
Alternative investment pools	18.0	9.2
International equity	16.0	7.2
Fixed-income pools	10.0	0.1
Real estate and infrastructure pools	10.0	4.3
Absolute return pools	16.0	6.0
Short term investment pools	2.0	-
Total	100 %	



### Note 9 - Michigan Public School Employees' Retirement System (Continued)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Library calculated using the discount rate of 8.00 percent, depending on the plan option. The following also reflects what the Library's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (7.00 percent) or 1.00 percentage point higher (9.00 percent) than the current rate:

1.00 Percent Decrease (7.00 Percent)	Current Discount Rate (8.00 Percent)	1.00 Percent Increase (9.00 Percent)
\$ 2,561,655	\$ 1,986,925	\$ 1,502,403

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

**Postemployment Benefits Other Than Pensions (OPEB)** - 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 2.71 percent of covered payroll for the period from July 1, 2015 to September 30, 2015 and 6.83 percent of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election as noted above. 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 403(b) account.

The Library's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2016 and 2015 were \$42,178 and \$64,775, respectively.

### **Note 10 - Component Unit - Friends of the Flint Public Library**

During 1992, the Friends of the Flint Public Library (FFPL), a component unit of the 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, 2016 was \$166,672. During the year ended June 30, 2016, new gifts in the amount of \$800 were made to the Fund and the net investment loss amounted to \$(8,112).

### **Note 11 - Upcoming Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Library to recognize on the face of the financial statements its net OPEB liability related to this retiree healthcare obligation. 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 the Library's financial statements for the year ending June 30, 2018.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016 fiscal year.

## **Required Supplemental Information**

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# Flint Public Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b>				
Taxes	\$ 2,318,443	\$ 2,856,799	\$ 2,867,959	\$ 11,160
State and federal grants and aid	94,055	188,620	188,542	(78)
Sales, fees, fines	102,000	158,263	161,230	2,967
Grant and special program	27,892	168,289	153,134	(15,155)
Investment income	3,000	10,000	9,786	(214)
Gifts and donations	145,000	398,776	408,241	9,465
Reimbursements	57,448	60,806	60,807	1
Total revenue	<u>2,747,838</u>	<u>3,841,553</u>	<u>3,849,699</u>	<u>8,146</u>
<b>Expenditures - Current</b>				
Governing board:	39,510	23,195	20,095	3,100
Administration	380,302	425,442	415,114	10,328
Automated services	206,479	282,664	284,784	(2,120)
Facilities	476,961	435,191	381,964	53,227
Library and program services	2,022,191	2,146,002	1,965,812	180,190
Fund development	125,030	114,516	110,940	3,576
Grant and special program	45,020	125,686	124,316	1,370
Total expenditures	<u>3,295,493</u>	<u>3,552,696</u>	<u>3,303,025</u>	<u>249,671</u>
<b>Net Change in Fund Balance</b>	(547,655)	288,857	546,674	257,817
<b>Fund Balance - Beginning of year</b>	<u>2,065,053</u>	<u>2,065,053</u>	<u>2,065,053</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u>\$ 1,517,398</u>	<u>\$ 2,353,910</u>	<u>\$ 2,611,727</u>	<u>\$ 257,817</u>

# Flint Public Library

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## Note to Required Supplemental Information Year Ended June 30, 2016

During the year, the Flint Public Library incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Automated services	\$ 282,664	\$ 284,784	\$ (2,120)

This variance was due to unanticipated expenditures in which the budget was not amended.

# Flint Public Library

## Required Supplemental Information Schedule of Changes in the Net Pension Asset and Related Ratios Michigan Employees' Retirement System Year Ended June 30

	2016	2015
<b>Total Pension Liability</b>		
Service cost	\$ 48,927	\$ 43,096
Interest	94,763	85,263
Changes in benefit terms	-	-
Differences between expected and actual experience	49,406	-
Changes in assumptions	95,944	-
Benefit payments, including refunds	(16,306)	(15,920)
<b>Net Change in Total Pension Liability</b>	272,734	112,439
<b>Total Pension Liability - Beginning of year</b>	1,132,336	1,019,897
<b>Total Pension Liability - End of year</b>	<b>\$ 1,405,070</b>	<b>\$ 1,132,336</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 24,100	\$ 35,367
Contributions - Member	-	-
Net investment income	(22,779)	87,556
Administrative expenses	(3,274)	(3,231)
Benefit payments, including refunds	(16,306)	(15,920)
Other	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	(18,259)	103,772
<b>Plan Fiduciary Net Position - Beginning of year</b>	1,473,376	1,369,604
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 1,455,117</b>	<b>\$ 1,473,376</b>
<b>Library's Net Pension Asset - Ending</b>	<b>\$ (50,047)</b>	<b>\$ (341,040)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	103.56 %	130.12 %
<b>Covered Employee Payroll</b>	\$ 710,119	\$ 644,267
<b>Library's Net Pension Asset as a Percentage of Covered Employee Payroll</b>	(7.0)%	(52.9)%



## Flint Public Library

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### Required Supplemental Information Schedule of the Library's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System Determined as of the Plan Year Ended September 30

	<u>2015</u>	<u>2014</u>
Library's proportion of the net pension liability	0.00813	0.00857
Library's proportionate share of the net pension liability	\$ 1,986,925	1,887,859 %
Library's covered employee payroll	\$ 681,091	\$ 744,021
Library's proportionate share of the net pension liability as a percentage of its covered employee payroll	291.7 %	253.7 %
Plan fiduciary net position as a percentage of total pension liability	62.9 %	66.2 %



# Flint Public Library

## Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System Determined as of the Year Ended June 30,

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 159,484	\$ 133,110	\$ 274,169	\$ 186,289	\$ 121,662	\$ 164,311	\$ 186,733	\$ 200,778	\$ 212,038	\$ 265,559
Contributions in relation to the statutorily required contribution	<u>159,484</u>	<u>133,110</u>	<u>274,169</u>	<u>186,289</u>	<u>121,662</u>	<u>164,311</u>	<u>186,733</u>	<u>200,778</u>	<u>212,038</u>	<u>265,559</u>
<b>Contribution Deficiency (Excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Library's Covered Employee Payroll</b>	\$ 618,484	\$ 714,294	\$ 742,123	\$ 769,441	\$ 828,268	\$ 830,947	\$ 1,111,955	\$ 1,224,283	\$ 1,288,464	\$ 1,413,417
<b>Contributions as a Percentage of Covered Employee Payroll</b>	25.8 %	18.6 %	36.9 %	24.2 %	14.7 %	19.8 %	16.8 %	16.4 %	16.5 %	18.8 %