

Flint Public Library

**Financial Report
with Supplemental Information
June 30, 2017**

Flint Public Library

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Independent Auditor's Report

To the Board of Trustees
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, 2017 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 Trustees
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, 2017 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 9, 2017

Flint Public Library

Management's 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, 2017. 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 2017, total tax collections were \$2,810,551. This represents approximately 66 percent of total revenue. A millage increase of .6 mills was approved by the voters in November 2015.
- The Library received the first year of stabilization authority receipts from the State of Michigan. The total receipts were \$300,121.85. Officials from the Michigan Department of Treasury indicated that this was the first payment allocated to municipalities and was greater than to be expected in future years.
- A grant of \$300,000 was received from the Ruth Mott Foundation for general operations in 2016, of which \$235,300 was assigned for use in 2017. The revenue for the grant was recognized in 2016. The funds were used to aid in implementing programs and the infrastructure to support the strategic initiatives of early literacy and digital literacy.
- The C. S. Mott Foundation provided grant awards of \$592,000 for the "Design a Library for a Future" project. The grant funds will fund the development of schematic designs for a renovated building that meets the strategic goal of the library as a community gathering place.
- The Foundation for Flint, a supporting organization of the Community Foundation of Greater Flint, awarded \$139,700 to fund the first year of a three-year commitment to support Flint Kids Read implementing the Dolly Parton Imagination Library. Flint Kids Read enables children living in Flint to receive free books every month delivered to their home through regular mail. The Dolly Parton Imagination Library book-by-mail program selects age-appropriate books for children from birth to age five, and sends them out each month to children who enroll through the library. The Flint Kids Read project is one of the cornerstones of the early literacy strategic goal for the Library.
- Personnel costs are the largest overall expenditure of the Library. For 2017, salaries, benefits, and taxes totaled \$2,056,248 after full accrual basis adjustments, representing approximately 60 percent of the Library's total expenditures.
- Library materials (e.g., books, CDs, DVDs, electronic databases, etc.) of \$321,938 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 \$3,437,290.

Flint Public Library

Management's Discussion and Analysis (Continued)

- The Library's net position increased by \$780,053 during the year ended June 30, 2017. Depreciation expense was \$252,805. The increase in net position is the result of increased revenue in the receipt of the stabilization authority receipt, additional grants from the C.S. Mott Foundation for "Designing a Library for the Future" program and the Foundation for Flint, a supporting organization of the Community Foundation of Greater Flint, for the Dolly Parton Imagination Library Program. Funds from the grant awards not expended during FY 2017 were assigned to FY 2018 to complete the projects. The 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)*, is included in the increased net position.

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 \$1,941,089. This figure includes deferred outflows of \$432,646, deferred inflows of \$(214,505), net pension asset of \$156,944, and net pension liability of \$(1,941,089).

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.

Flint Public Library

Management's Discussion and Analysis (Continued)

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 \$4.1 million at the close of the most recent fiscal year (see table below).

	Governmental Activities				
	2015	2016	2017	Change	Percent Change
Assets					
Other assets	\$ 2,676,293	\$ 2,989,155	\$ 4,143,922	\$ 1,154,767	39%
Capital assets	2,638,744	2,566,635	2,461,915	(104,720)	-4%
Total assets	5,315,037	5,555,790	6,605,837	1,050,047	19%
Deferred Outflows of Resources	218,545	503,620	432,646	(70,974)	-14%
Liabilities					
Current liabilities	259,517	325,381	444,007	118,626	36%
Long-term liabilities	2,225,152	2,309,022	2,262,747	(46,275)	-2%
Total liabilities	2,484,669	2,634,403	2,706,754	72,351	3%
Deferred Inflows of Resources	208,704	87,836	214,505	126,669	144%
Net Position					
Net investment in capital assets	2,638,744	2,566,635	2,461,915	(104,720)	-4%
Restricted	237,154	232,907	756,346	523,439	225%
Unrestricted	(35,689)	537,629	898,963	361,334	67%
Total net position	<u>\$ 2,840,209</u>	<u>\$ 3,337,171</u>	<u>\$ 4,117,224</u>	<u>\$ 780,053</u>	23%
	Governmental Activities				
	2015	2016	2017	Change	Percent Change
Revenue					
Property taxes	\$ 2,356,348	\$ 2,867,959	\$ 2,810,551	\$ (57,408)	-2%
Other revenue	998,196	925,473	1,557,983	632,510	68%
Total revenue	3,354,544	3,793,432	4,368,534	575,102	15%
Program Expenses - General government	3,611,419	3,296,470	3,588,481	292,011	9%
Change in Net Position	<u>\$ (256,875)</u>	<u>\$ 496,962</u>	<u>\$ 780,053</u>	<u>\$ 283,091</u>	57%

Total net position for the Library increased \$780,053 during the year ended June 30, 2017.

Total revenue increased by \$575,102, or 15 percent, while expenses increased \$292,011, or 9 percent.

Flint Public Library

Management's Discussion and Analysis (Continued)

The property tax revenue decreased by 2 percent in 2017. An operating millage proposal was presented to voters in the City of Flint, Michigan 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 decrease of 2 percent is the result of a 5 percent decline in assessed values for property in the City of Flint, Michigan, not including property in Renaissance Zones. The Library maintains an allowance of \$133,300 for potential chargebacks on the tax roll to mitigate the effect on current year revenue.

The increase in other revenue is attributable to the receipt of the stabilization authority payment of \$300,122 and two grants from the C. S. Mott Foundation to fund the "Design a Library for the Future" program totaling \$592,000. Generally accepted accounting principles require the recognition of the total amount of the grant received in the year it is awarded; therefore, \$503,321 of the grants has been assigned for use in FY 2018. Grant funding for the Flint Kids Read project also increased the other revenue for FY 2017.

The increase in expenses was the result of utilizing assigned fund balance from 2016 grants received and current year grants received for programming and the "Design a Library for the Future" program. Operating expenditures, not directly attributable to program specific grants, increased during the year. The largest increase of \$87,606 was in professional services. This increase was the result of the following:

- Additional expenses while utilizing assigned funds from the Ruth Mott Foundation operating grant to meet strategic goals for early literacy and digital literacy initiatives
- The cost of the services of a labor attorney working with management staff and bargaining team members from AFSCME and SEIU, negotiated new collective bargaining agreements for librarians and loan clerks. This was the first major revision since July 2012 and resulted in collective bargaining agreements that are more meaningful to management and staff.
- Increased consultant services to enhance our fundraising capability

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 2017, 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, Michigan 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
	2015	2016	2017	Change	Change
Revenue					
Property taxes	\$ 2,356,348	\$ 2,867,959	\$ 2,810,551	\$ (57,408)	-2%
Universal service fund rebates (E rate)	55,287	38,727	67,960	29,233	75%
Stabilization authority payments	-	-	300,122	300,122	100%
Charges for services	57,512	43,491	36,686	(6,805)	-16%
Penal fines	70,000	125,575	-	(125,575)	-100%
Grants and memorials	671,650	533,606	813,204	279,598	52%
State aid	159,218	149,815	146,883	(2,932)	-2%
Investment income	11,119	9,786	15,583	5,797	59%
Gifts	25,564	21,220	84,999	63,779	301%
Miscellaneous	6,796	3,253	4,058	805	25%
Total revenue	3,413,494	3,793,432	4,280,046	486,614	13%
Expenditures					
Current:					
Salaries and wages	1,406,116	1,418,272	1,436,333	18,061	1%
Employee benefits and taxes	662,005	553,965	619,915	65,950	12%
Materials	225,542	283,060	321,938	38,878	14%
Supplies	151,841	181,065	137,797	(43,268)	-24%
Maintenance and utilities	265,593	251,868	274,251	22,383	9%
Professional services	64,290	109,436	197,042	87,606	80%
Rent	2,342	3,299	3,797	498	15%
Communications	91,822	83,774	60,745	(23,029)	-27%
Dues and memberships	2,745	4,010	6,328	2,318	58%
Printing and publishing	26,707	17,829	20,969	3,140	18%
Library cards and other fees	25,579	26,400	27,764	1,364	5%
Insurance	31,408	34,928	36,171	1,243	4%
Grant and memorial expenditures	281,395	100,874	152,819	51,945	51%
Transportation/Staff development	11,062	19,839	13,797	(6,042)	-30%
Uncollectible pledges	-	-	4,500	4,500	100%
Capital outlay	91,578	158,139	123,124	(35,015)	-22%
Total expenditures	3,340,025	3,246,758	3,437,290	190,532	6%
Net Change in Fund Balance	73,469	546,674	842,756	296,082	54%
Fund Balance - Beginning of year	1,991,584	2,065,053	2,611,727	546,674	26%
Fund Balance - End of year	\$ 2,065,053	\$ 2,611,727	\$ 3,454,483	\$ 842,756	32%

Flint Public Library

Management's Discussion and Analysis (Continued)

Capital Assets

At the end of 2017, the Library had capital assets of \$2,461,915, 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 \$1,559,393. This net amount complies with methods established by Governmental Accounting Standards Board (GASB) Statement No. 34.

Long-term Debt

At year end, the Library had \$150,357 owed to employees for compensated absences and \$171,301 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, Michigan 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 decreased from the amendment budget by the amount of penal fines budgeted but not received. Penal fines were not received until the end of September 2017, more than 60 days past the end of the fiscal year. In previous years, penal fines were received within 60 days of fiscal year end. The penal fine payment received was \$88,488.
- The Library received the first stabilization authority payment in the amount of \$300,122.
- Grants and special program revenue increased during fiscal year 2017 due to grant awards received for various programs. This includes the grants from the C. S. Mott Foundation for the "Design a Library for the Future" project of \$592,000 and the Foundation for Flint, a supporting organization of the Community Foundation of Greater Flint to support Flint Kids Read implementing the Dolly Parton Imagination Library of \$139,700.

Expenditures

- All activity centers underspent budgeted versus actual expenditures in 2017. This is a result of an overall conservative, frugal approach due to uncertainty of future revenue and effective negotiations with vendors thereby reducing costs.
- Grants and special programs expenditures were less than budgeted as the professional services for the "Design a Library for the Future" project began later than originally projected, reducing expense for the fiscal year.

Flint Public Library

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budget

Property values are projected to increase 1.83 percent in fiscal year 2018 and taxable values are projected to increase .51 percent (source: Genesee County Equalization April 19, 2017 report to county commissioners). While this is encouraging, 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, Michigan remains 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, Michigan 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, Michigan 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 2018 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, 2018 as adopted in June 2017 is as follows:

Estimated revenue	\$ 3,470,424
Estimated use of fund balance	147,856
Estimated expenditures	<u>3,618,280</u>
Net	<u>\$ -</u>

The budget, as adopted by the board of trustees, used assigned net funds of \$27,978 and unassigned, uncommitted, and unrestricted funds of \$119,878. The following were the highlights of the budget as adopted by the board of trustees:

- A small decrease in property tax revenue
- A continuation of financial support from the Ruth Mott Foundation for additional use of technology for digital initiatives
- A continuation of current service hours to the public of 45 hours per week

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Management's Discussion and Analysis (Continued)

- Continuation of the collaboration with the Flint Cultural Center Corporation for outside maintenance services and custodial services and light maintenance
- Continuing the collaboration with the Flint Institute of Arts for security services
- Contract for professional services to enhance our fundraising capability

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 are working 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 continues into fiscal year 2018. 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

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 continues with the grant from the C.S. Mott Foundation for the "Design a Library for the Future" project. We are excited for our future and for our community!

Flint Public Library

Management's Discussion and Analysis (Continued)

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, 2017

	<u>Primary Government</u>	Discretely Presented Component Unit - Friends of the Flint Public Library
	Governmental Activities	
Assets		
Cash and cash equivalents (Note 2)	\$ 3,394,743	\$ 62,713
Investments	300,000	-
Receivables:		
Accrued interest receivable	1,730	-
Other receivables	8,312	-
Due from other governmental units	122,749	-
Inventory	5,171	-
Prepaid expenses	154,273	-
Net pension asset (Note 8)	156,944	-
Capital assets (Note 3):		
Assets not subject to depreciation	781,310	-
Assets subject to depreciation	1,680,605	-
Total assets	<u>6,605,837</u>	<u>62,713</u>
Deferred Outflows of Resources (Notes 8 and 9)	432,646	-
Liabilities		
Accounts payable	131,372	-
Due to other governmental units	133,300	-
Accrued liabilities and other	79,335	-
Unearned revenue	100,000	-
Noncurrent liabilities (Note 4):		
Due within one year - Compensated absences and terminal leave	29,368	-
Due in more than one year - Compensated absences	292,290	-
Net pension liability (Note 9)	1,941,089	-
Total liabilities	<u>2,706,754</u>	<u>-</u>
Deferred Inflows of Resources (Notes 8 and 9)	<u>214,505</u>	<u>-</u>
Net Position		
Net investment in capital assets	2,461,915	-
Restricted for (Note 7):		
Expendable endowment	191,669	-
Nonexpendable endowment	20,000	-
Donor-restricted contributions	12,279	-
Programming	29,077	-
Grants	503,321	-
Unrestricted	<u>898,963</u>	<u>62,713</u>
Total net position	<u>\$ 4,117,224</u>	<u>\$ 62,713</u>

Flint Public Library

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government - Governmental activities - Library operations	<u>\$ 3,588,481</u>	<u>\$ 36,686</u>	<u>\$ 898,203</u>
Component unit - Friends of the Flint Public Library	<u>\$ 21,409</u>	<u>\$ -</u>	<u>\$ -</u>

General revenue:

- Property taxes
- Universal service fund rebates (E rate)
- State aid
- Investment income
- Penal fines
- Other miscellaneous income
- Stabilization authority payments

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Flint Public Library

Governmental Fund Balance Sheet June 30, 2017

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 3,394,743
Investments	300,000
Receivables:	
Accrued interest receivable	1,730
Other receivables	8,312
Due from other governmental units	122,749
Inventory	5,171
Prepaid expenses	<u>154,273</u>
Total assets	<u>\$ 3,986,978</u>
Liabilities	
Accounts payable	\$ 131,372
Due to other governmental units	133,300
Accrued liabilities and other	79,335
Unearned revenue	<u>100,000</u>
Total liabilities	444,007
Deferred Inflows of Resources - Unavailable revenue	88,488
Fund Balance	
Nonspendable:	
Inventory	5,171
Prepays	154,273
Nonexpendable endowment	20,000
Restricted:	
Grants	503,321
Expendable endowment	191,669
Programming	29,077
Donor-restricted contributions	12,279
Assigned:	
Subsequent year's budget	119,878
Technology purchases and building repairs	342,828
Programs and grants	213,200
Unassigned	<u>1,862,787</u>
Total fund balance	<u>3,454,483</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 3,986,978</u>

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Governmental Fund Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2017

Fund Balance Reported in Governmental Fund	\$ 3,454,483
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	2,461,915
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	88,488
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	(150,357)
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	(171,301)
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)	432,646
Deferred inflows of resources related to pension - Difference between expected and actual experience and changes in proportion and differences between reporting unit contributions and proportionate share of contributions (MPSERS)	(214,505)
Net pension asset is not due as a receivable in the current period and is not reported in the funds	156,944
Net pension liability is not due and payable in the current period and is not reported in the funds	<u>(1,941,089)</u>
Net Position of Governmental Activities	<u>\$ 4,117,224</u>

Flint Public Library

Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2017

	<u>General Fund</u>
Revenue	
Property taxes	\$ 2,810,551
Universal service fund rebates (E rate)	67,960
Stabilization authority payments	300,122
Grants and memorials	813,204
Charges for services	36,686
State aid	146,883
Investment income	15,583
Gifts	84,999
Miscellaneous revenue	<u>4,058</u>
Total revenue	4,280,046
Expenditures	
Current - Library operations:	
Salaries and wages	1,436,333
Employee benefits and taxes	619,915
Materials	321,938
Supplies and program expenses	137,797
Maintenance and utilities	274,251
Professional services	197,042
Rent	3,797
Communications	60,745
Dues and memberships	6,328
Printing and publishing	20,969
Library cards and other fees	27,764
Insurance	36,171
Grant and memorial expenditures	152,819
Transportation/Staff development	13,797
Uncollectible pledges	4,500
Capital outlay	<u>123,124</u>
Total expenditures	<u>3,437,290</u>
Net Change in Fund Balance	842,756
Fund Balance - Beginning of year	<u>2,611,727</u>
Fund Balance - End of year	<u><u>\$ 3,454,483</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, 2017

Net Change in Fund Balance - Total Governmental Fund	\$ 842,756
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	172,732
Depreciation expense	(252,805)
Net book value of assets disposed of	(24,647)
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	86,488
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	439
The change in the net pension asset is recorded when incurred in the statement of activities	(23,807)
The change in the net pension liability is recorded when incurred in the statement of activities	(21,103)
Change in Net Position of Governmental Activities	<u>\$ 780,053</u>

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 real and personal property taxes was \$133,300 at June 30, 2017.

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 acquisition 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:

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

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 the purpose 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. 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 deferred inflows of resources recorded in the government-wide statements related to the defined benefit pension plan for MPSERS, made up of the difference between expected and actual experience and changes in proportion and differences between reporting unit contributions and proportionate share of contributions. The Library has deferred inflows of resources recorded in the General Fund for unavailable revenue related to penal fines.

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 1 - 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 \$699 million, on which ad valorem taxes levied consisted of 4 mills for the Library's operating purposes. The ad valorem taxes levied raised approximately \$2.81 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, Michigan passed a renewal of the 0.9 mills along with an increase of 0.5 mills that took effect in the beginning of fiscal year 2013. In November 2015, an additional increase of 0.6 mills was passed and took effect during fiscal year 2016.

The Library levies its property taxes on July 1 and the City of Flint, Michigan 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 Huntington, Bank of America, Chemical, 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 \$2,172,887 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, 2017.

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, 2017, 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, 2017

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

Governmental Activities	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 530,000	\$ -	\$ -	\$ 530,000
Construction in progress	-	51,310	-	51,310
Other nondepreciable assets	200,000	-	-	200,000
Subtotal	730,000	51,310	-	781,310
Capital assets being depreciated:				
Buildings and improvements	2,570,820	6,207	-	2,577,027
Machinery and equipment	563,192	10,402	(5,376)	568,218
Books	1,803,702	104,813	(171,980)	1,736,535
Subtotal	4,937,714	121,422	(177,356)	4,881,780
Accumulated depreciation:				
Buildings and improvements	1,427,274	123,360	-	1,550,634
Machinery and equipment	439,131	26,800	(5,376)	460,555
Books	1,234,674	102,645	(147,333)	1,189,986
Subtotal	3,101,079	252,805	(152,709)	3,201,175
Net capital assets being depreciated	1,836,635	(131,383)	(24,647)	1,680,605
Net capital assets	<u>\$ 2,566,635</u>	<u>\$ (80,073)</u>	<u>\$ (24,647)</u>	<u>\$ 2,461,915</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, Michigan. Should the property cease to be used for public library purposes with free public library usage for residents of the City of Flint, Michigan, 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.

Commitments - The Library has an active project at year end for a potential building design. At year end, the Library's commitment with contractors under this project is as follows:

	Spent to Date	Remaining Commitment
Potential building project	<u>\$ 51,310</u>	<u>\$ 458,760</u>

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 \$17,908 and terminal leave pay of \$11,460 will be paid within the next year.

Long-term liability activity for the year ended June 30, 2017 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	\$ 175,986	\$ 9,078	\$ (34,707)	\$ 150,357	\$ 17,908
Terminal leave	<u>146,111</u>	<u>38,017</u>	<u>(12,827)</u>	<u>171,301</u>	<u>11,460</u>
Total governmental activities	<u>\$ 322,097</u>	<u>\$ 47,095</u>	<u>\$ (47,534)</u>	<u>\$ 321,658</u>	<u>\$ 29,368</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, 2017 has not been calculated. Encumbrances are not included as expenditures.

Flint Public Library

Notes to Financial Statements June 30, 2017

Note 5 - Budget Information (Continued)

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

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

Note 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, 2017 are comprised of the following:

Primary Government

	Restricted - Expendable	Restricted - Nonexpendable	Total
Scott Memorial Fund	\$ 42,675	\$ 20,000	\$ 62,675
Library Special Fund (Curtis)	148,994	-	148,994
Total restricted net position	<u>\$ 191,669</u>	<u>\$ 20,000</u>	<u>\$ 211,669</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), 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 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.

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

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.

Employees Covered by Benefit Terms - At the December 31, 2016 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>18</u>
Total employees covered by MERS	<u><u>29</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 0.28 percent of annual covered payroll. The Library's required and actual contributions to the plan were \$2,111 and \$58,642, respectively, for the year ended June 30, 2017 and were \$24,100 for the year ended June 30, 2016.

Net Pension Asset

The net pension asset reported at June 30, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

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)		Net Pension (Asset) Liability
	Total Pension Liability	Plan Net Position	
Balance at December 31, 2015	\$ 1,405,070	\$ 1,455,117	\$ (50,047)
Service cost	53,239	-	53,239
Interest	113,867	-	113,867
Experience differences	(100,159)	-	(100,159)
Contributions - Employer	-	9,746	(9,746)
Net investment income	-	167,399	(167,399)
Benefit payments, including refunds	(16,697)	(16,697)	-
Administrative expenses	-	(3,301)	3,301
Net changes	50,250	157,147	(106,897)
Balance at December 31, 2016	<u>\$ 1,455,320</u>	<u>\$ 1,612,264</u>	<u>\$ (156,944)</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2017, the Library recognized pension expense of \$82,446. At June 30, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 32,937	\$ (80,127)
Changes in assumptions	63,963	-
Net difference between projected and actual earnings on pension plan investments	56,033	-
Employer contributions to the plan subsequent to the measurement date	57,656	-
Total	<u>\$ 210,589</u>	<u>\$ (80,127)</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 (\$57,656), which will impact the net pension asset in fiscal year 2017, rather than pension expense.

Years Ending June 30	Amount
2018	\$ 28,038
2019	28,038
2020	22,817
2021	(6,087)

Actuarial Assumptions - The total pension liability in the December 31, 2016 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%	Net of pension plan investment expense, including inflation

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, 2016, 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	55.00 %	8.65 %
Global fixed income	18.00	3.76
Real assets	14.00	9.72
Diversifying strategies	13.00	7.50

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

Sensitivity of the Net Pension Liability (Asset) 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 (asset) 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	\$ 74,607	\$ (156,944)	\$ (346,944)

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 of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions 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 (MPERS 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.

The range of rates is as follows:

Library

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - June 30, 2017	15.27% - 19.03%

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

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, 2017 and 2016 were \$134,683 and \$159,186, respectively. Contributions include \$79,881 and \$82,831 of revenue received from the State of Michigan, and remitted to the System, to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) stabilization rate for the year ended June 30, 2017.

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 nonduty 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.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Flint Public Library

Notes to Financial Statements June 30, 2017

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

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2017, the Library reported a liability of \$1,941,089 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015, which used updated procedures to roll forward the estimated liability to September 30, 2016. The Library's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016, the Library's proportion was 0.00778 percent, compared to .00813 as of September 30, 2015.

For the year ended June 30, 2017, the Library recognized pension expense of \$144,786, exclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources as of the Measurement Date	Deferred Inflows of Resources as of the Measurement Date
Differences between expected and actual experience	\$ 24,191	\$ (4,600)
Changes in assumptions	30,347	-
Net difference between projected and actual earnings on pension plan investments	32,262	-
Changes in proportion and differences between reporting unit contributions and proportionate share of contributions	2,846	(129,778)
Employer contributions to the plan subsequent to the measurement date	132,411	-
Total	<u>\$ 222,057</u>	<u>\$ (134,378)</u>

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 (\$132,411), which will impact the net pension liability in fiscal year 2018, rather than pension expense.

Years Ending <u>June 30</u>	<u>Amount</u>
2018	\$ (24,938)
2019	(27,475)
2020	12,383
2021	<u>(4,703)</u>
Total	<u>\$ (44,733)</u>

Actuarial Assumptions - The total pension liability as of September 30, 2016 is based on the results of an actuarial valuation date of September 30, 2015 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, 2015 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	10.5	0.1
Real estate and infrastructure pools	10.0	4.3
Absolute return pools	15.5	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)
\$ 2,499,634	\$ 1,941,089	\$ 1,470,182

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 6.83 percent of covered payroll for the period from July 1, 2016 to September 30, 2016 and 5.91 percent of covered payroll for the period from October 1, 2016 through June 30, 2017 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, 2017 and 2016 were \$32,963 and \$42,178, respectively.

Flint Public Library

Notes to Financial Statements June 30, 2017

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, 2017 was \$181,018. During the year ended June 30, 2017, new gifts in the amount of \$550 were made to the Fund and the net investment gain amounted to \$23,028.

Note 11 - Tax Abatements

The City of Flint, Michigan uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the Library grants reductions of the property tax bill for new property (or it can freeze taxable values for rehabilitation properties).

For the fiscal year ended June 30, 2017 the City of Flint, Michigan abated \$183,584 of taxes under this program which would impact the Library's revenue. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

Note 12 - 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.

Required Supplemental Information

Flint Public Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with <u>Amended Budget</u>
Revenue				
Taxes	\$ 2,625,175	\$ 2,810,023	\$ 2,810,551	\$ 528
State and federal grants and aid	139,632	214,619	214,843	224
Sales, fees, fines	134,000	131,850	33,972	(97,878)
Stabilization authority payments	-	300,122	300,122	-
Grant and special program	34,778	821,472	815,918	(5,554)
Investment income	7,000	16,000	15,583	(417)
Gifts and donations	145,200	89,390	89,057	(333)
Reimbursements	58,924	59,216	57,353	(1,863)
Total revenue	<u>3,144,709</u>	<u>4,442,692</u>	<u>4,337,399</u>	<u>(105,293)</u>
Expenditures - Current				
Governing board	29,610	33,505	31,165	2,340
Administration	406,761	458,000	456,856	1,144
Automated services	301,542	225,100	186,625	38,475
Facilities	420,782	465,000	437,942	27,058
Library and program services	2,076,064	2,132,000	2,045,349	86,651
Fund development	135,669	105,760	97,228	8,532
Grant and special program	93,067	306,848	239,478	67,370
Total expenditures	<u>3,463,495</u>	<u>3,726,213</u>	<u>3,494,643</u>	<u>231,570</u>
Net Change in Fund Balance	(318,786)	716,479	842,756	126,277
Fund Balance - Beginning of year	<u>2,611,727</u>	<u>2,611,727</u>	<u>2,611,727</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 2,292,941</u>	<u>\$ 3,328,206</u>	<u>\$ 3,454,483</u>	<u>\$ 126,277</u>

Flint Public Library

Note to Required Supplemental Information Year Ended June 30, 2017

Budgetary Information -

A reconciliation of the budgetary comparison schedule to the fund-based statement of revenue, expenses, and changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Net Change in Fund Balance</u>
General Fund			
Amounts per operating statement	\$ 4,280,046	\$ 3,437,290	\$ 842,756
Reimbursements budgeted as revenue	57,353	57,353	-
Amounts per budget statement	<u>\$ 4,337,399</u>	<u>\$ 3,494,643</u>	<u>\$ 842,756</u>

Excess of expenditures over appropriations in budgeted funds - During the year, the Flint Public Library did not incur expenditures that were in excess of the amounts budgeted.

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

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 53,239	\$ 48,927	\$ 43,096
Interest	113,867	94,763	85,263
Differences between expected and actual experience	(100,159)	49,406	-
Changes in assumptions	-	95,944	-
Benefit payments, including refunds	(16,697)	(16,306)	(15,920)
Net Change in Total Pension Liability	50,250	272,734	112,439
Total Pension Liability - Beginning of year	1,405,070	1,132,336	1,019,897
Total Pension Liability - End of year	\$ 1,455,320	\$ 1,405,070	\$ 1,132,336
Plan Fiduciary Net Position			
Contributions - Employer	\$ 9,746	\$ 24,100	\$ 35,367
Net investment income	167,399	(22,779)	87,556
Administrative expenses	(16,697)	(3,274)	(3,231)
Benefit payments, including refunds	(3,301)	(16,306)	(15,920)
Net Change in Plan Fiduciary Net Position	157,147	(18,259)	103,772
Plan Fiduciary Net Position - Beginning of year	1,455,117	1,473,376	1,369,604
Plan Fiduciary Net Position - End of year	\$ 1,612,264	\$ 1,455,117	\$ 1,473,376
Library's Net Pension Asset - Ending	\$ (156,944)	\$ (50,047)	\$ (341,040)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	110.78 %	103.56 %	130.12 %
Covered Employee Payroll	\$ 722,376	\$ 710,119	\$ 644,267
Library's Net Pension Asset as a Percentage of Covered Employee Payroll	(21.7)%	(7.0)%	(52.9)%

Flint Public Library

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>2016</u>	<u>2015</u>	<u>2014</u>
Library's proportion of the net pension liability	0.00778 %	0.00813 %	0.00857 %
Library's proportionate share of the net pension liability	\$ 1,941,089	\$ 1,986,925	\$ 1,887,859
Library's covered employee payroll	\$ 618,368	\$ 681,091	\$ 744,021
Library's proportionate share of the net pension liability as a percentage of its covered employee payroll	313.9 %	291.7 %	253.7 %
Plan fiduciary net position as a percentage of total pension liability	63.0 %	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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 134,683	\$ 159,484	\$ 133,110	\$ 274,169	\$ 186,289	\$ 121,662	\$ 164,311	\$ 186,733	\$ 200,778	\$ 212,038
Contributions in relation to the statutorily required contribution	<u>134,683</u>	<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>
Contribution Deficiency (Excess)	<u>\$ -</u>									
Library's Covered Employee Payroll	\$ 535,134	\$ 618,484	\$ 714,294	\$ 742,123	\$ 769,441	\$ 828,268	\$ 830,947	\$ 1,111,955	\$ 1,224,283	\$ 1,288,464
Contributions as a Percentage of Covered Employee Payroll	25.2 %	25.8 %	18.6 %	36.9 %	24.2 %	14.7 %	19.8 %	16.8 %	16.4 %	16.5 %