

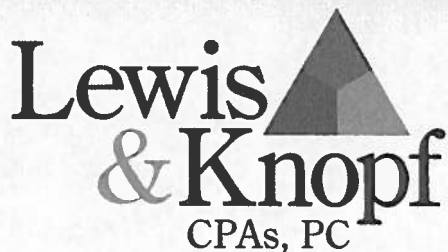
**GENESEE DISTRICT LIBRARY**

**FLINT, MICHIGAN**

**AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2010**

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March 16, 2011

**INDEPENDENT AUDITOR'S REPORT**

To the Trustees of  
Genesee District Library

We have audited the accompanying financial statements of the governmental activities of the Genesee District Library, as of and for the year ended December 31, 2010, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Genesee District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Genesee District Library, as of December 31, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2011 on our consideration of the Genesee District Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on pages II through V and page 3 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Genesee District Library's financial statements as a whole. The additional information on pages 12-14 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

A handwritten signature in cursive script that reads "Lewis &amp; Knopf, P.C.".

LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

GENESEE DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

USING THIS ANNUAL REPORT

This annual report consists of three parts: *Management's Discussion and Analysis* (this section), the *basic financial statements*, and *required supplementary information*.

- \* The statement of net assets presents the Library's operations on a full accrual basis, which provides both long, and short-term information about the Library's *overall* financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library on a longer-term view of the Library's finances.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

CONDENSED FINANCIAL INFORMATION

The following table below shows key financial information in a condensed format:

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets	\$2,753,699	\$2,447,303
Non-Current Assets	<u>308,401</u>	<u>407,163</u>
TOTAL ASSETS	<u>\$3,062,100</u>	<u>\$2,854,466</u>
LIABILITIES		
Current Liabilities	\$208,854	\$199,006
Non-Current Liabilities	<u>2,263,875</u>	<u>1,490,788</u>
Total Liabilities	<u>\$2,472,729</u>	<u>\$1,689,794</u>
NET ASSETS		
Invested in Capital Assets - Net of Related Debt	308,401	407,163
Restricted	68,678	61,821
Unrestricted - As Restated	<u>212,292</u>	<u>695,688</u>
Total Net Assets	<u>\$589,371</u>	<u>\$1,164,672</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$3,062,100</u>	<u>\$2,854,466</u>
REVENUE		
Property Taxes	\$7,195,717	\$7,443,443
Other	<u>1,787,865</u>	<u>1,775,743</u>
Total Revenue	<u>\$8,983,582</u>	<u>\$9,219,186</u>
<u>EXPENDITURES - LIBRARY SERVICES</u>	<u>9,558,883</u>	<u>10,379,785</u>
<u>CHANGE IN NET ASSETS</u>	<u>(\$575,301)</u>	<u>(\$1,160,599)</u>

**GENESEE DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**THE LIBRARY AS A WHOLE**

- \* The Library is reporting financial statements this year that meet the requirements of GASB 34.
- \* The Library's primary source of revenue is from property taxes. For 2010, total tax collections were \$7,195,717. This represents approximately 80 percent of total revenue.
- \* Salaries and fringe benefits are the largest overall expenditure of the Library. For 2010, this expenditure was \$6,270,689, representing 66 percent of the Library's total expenditures.
- \* Library materials (books, periodicals and audio visuals) of \$1,291,109 are the second largest overall expenditure of the Library, representing 14 percent of the Library's total expenditures.

**THE LIBRARY'S FUND**

Our analysis of the Library's Operating Fund is included on pages 1 and 2 of the respective statements.

- \* The fund balance of the Operating Fund decreased by \$575,301 for the year. This represents expenses greater than revenue. The excess expenditures over revenues was approved by the Genesee District Library board.
- \* The restricted fund balance of \$68,678 consists of contributions, legacies and bequests.
- \* The Library Board has designated funds established for budget stabilization (see Note 6).

**OPERATING FUND BUDGET & ACTUAL REVENUES & EXPENDITURES**

**OPERATING FUND BUDGET VS. ACTUAL**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original &amp; Final Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenues	\$9,030,500	\$9,049,100	\$8,983,582	(0.21)	(0.72)
Expenditures	10,157,200	9,739,300	9,558,883	4.29	1.85
<b><u>TOTAL</u></b>	<b><u>(\$1,126,700)</u></b>	<b><u>(\$690,200)</u></b>	<b><u>(\$575,301)</u></b>		

**GENESEE DISTRICT LIBRARY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

**Original vs. Final Budgets**

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

**Actual Results vs. Final Budgets**

**Revenues**

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

**Expenditures**

Actual expenditures in various categories were less due to reduction in staff and other cost cutting measures.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

As a result of GASB 34 implementation, the library adopted a capitalization policy of \$1,000. Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Balance</u> <u>Jan. 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
Equipment and Furniture	\$1,530,091	\$0	\$0	\$1,530,091
Leasehold Improvement	681,832	25,887	0	707,719
Totals at Historical Cost	\$2,211,923	\$25,887	\$0	\$2,237,810
Less: Accumulated Depreciation	(1,804,760)	(124,649)	0	(1,929,409)
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
<b><u>CAPITAL ASSETS - NET</u></b>	<b><u>\$407,163</u></b>	<b><u>(\$98,762)</u></b>	<b><u>\$0</u></b>	<b><u>\$308,401</u></b>

Significant capital asset acquisitions consists of the purchase of computer equipment.

**DEBT**

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

	<u>Balance</u> <u>Jan. 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
<b><u>Governmental Activities:</u></b>				
Compensated Absences	<u>\$220,000</u>	<u>\$42,629</u>	<u>\$0</u>	<u>\$262,629</u>

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

**MILLAGE RATES**

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

GENESEE DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Library's 2011 adopted budget is as follows:

REVENUE	\$8,922,400
EXPENDITURES	<u>8,922,400</u>
<u>NET (UNDER) BUDGET</u>	<u><u>\$0</u></u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Library's finances. If you have questions about this report or need additional information, contact the Executive Director at Genesee District Library, G-4195 W. Pasadena Avenue, Flint, MI 48504.



GENESEE DISTRICT LIBRARY  
STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2010

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$2,336,790
Accounts Receivable	386,922
Prepaid Expenses	29,987
Total Current Assets	<u>\$2,753,699</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	2,237,810
Less: Accumulated Depreciation	(1,929,409)
Total Noncurrent Assets	<u>\$308,401</u>
<u>TOTAL ASSETS</u>	<u><u>\$3,062,100</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$140,175
Deferred Revenue	68,679
Total Current Liabilities	<u>\$208,854</u>
<u>NON-CURRENT LIABILITIES</u>	
Compensated Absences	220,000
Net OPEB Obligation	2,043,875
Total Non-Current Liabilities	<u>\$2,263,875</u>
Total Liabilities	<u>\$2,472,729</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	308,401
Restricted	68,679
Unrestricted	212,291
Total Net Assets	<u>\$589,371</u>
<u>TOTAL NET ASSETS</u>	<u><u>\$3,062,100</u></u>

See accompanying notes to the basic financial statements.



GENESEE DISTRICT LIBRARY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue &amp; Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
General Government	\$9,558,883	\$297,583	\$33,303	(\$9,227,997)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				7,195,717
State Penal Fines				436,953
State Aid				134,910
Investment Earnings				12,576
Use of Contributed Facilities				760,000
Miscellaneous Revenue				112,540
Total General Revenues and Transfers				<u>\$8,652,696</u>
Change in Net Assets				(\$575,301)
Net Assets - Beginning				<u>1,164,672</u>
<u>Net Assets - Ending</u>				<u>\$589,371</u>

See accompanying notes to the basic financial statements.

**GENESEE DISTRICT LIBRARY**  
**BUDGETARY COMPARISON SCHEDULE - OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Property Taxes	\$7,391,500	\$7,391,500	\$7,195,717	(\$195,783)
State Penal Fines/Single Business Tax	400,000	400,000	436,953	36,953
State Aid	69,000	69,000	134,910	65,910
Investment Earnings	40,000	40,000	12,576	(27,424)
Grants, Contributions, Legacies, and Bequests	16,000	34,600	33,303	(1,297)
Library Fines, Fees and Other	354,000	354,000	410,123	56,123
Use of Contributed Facilities	760,000	760,000	760,000	0
Total Revenues	<u>\$9,030,500</u>	<u>\$9,049,100</u>	<u>\$8,983,582</u>	<u>(\$65,518)</u>
<b><u>EXPENDITURES</u></b>				
Salaries and Wages	4,158,300	4,026,000	3,835,061	190,939
Fringe Benefits	1,933,400	1,808,400	2,435,628	(627,228)
Supplies	242,000	237,000	216,928	20,072
Books	1,115,900	1,015,900	913,388	102,512
Periodicals	65,000	65,000	52,599	12,401
Audio Visual	430,000	420,000	325,122	94,878
Contractual Services	403,000	371,700	236,401	135,299
Telephone	222,000	233,300	233,149	151
Travel	43,000	39,500	32,791	6,709
Printing	140,500	140,500	112,944	27,556
Insurance	24,500	24,500	22,137	2,363
Utilities	45,000	45,000	39,375	5,625
Building & Maintenance	212,100	208,600	172,753	35,847
Miscellaneous	1,015,500	1,017,200	930,607	86,593
Capital Outlay	107,000	86,700	0	86,700
Total Expenditures	<u>\$10,157,200</u>	<u>\$9,739,300</u>	<u>\$9,558,883</u>	<u>\$180,417</u>
<b><u>REVENUES (UNDER) EXPENDITURES</u></b>	<b><u>(\$1,126,700)</u></b>	<b><u>(\$690,200)</u></b>	<b><u>(\$575,301)</u></b>	<b><u>\$114,899</u></b>
<b><u>FUND BALANCE - BEGINNING OF YEAR</u></b>			<b><u>\$1,164,672</u></b>	
<b><u>FUND BALANCE - END OF YEAR</u></b>			<b><u>\$589,371</u></b>	

See accompanying notes to the basic financial statements.

GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Genesee District Library was organized under the provisions of the District Library Act of the State of Michigan. The electorate created the Genesee District Library on January 1, 1980. The primary purpose of Genesee District Library is to provide support services for nineteen county locations.

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

REPORTING ENTITY

The Genesee District Library is the basic level of government that has financial accountability and control over all activities related to the Library within the geographical area known Genesee County, excluding the City of Flint. The Library receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined by GASB pronouncement. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14 which are included in the Library's reporting entity.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Library has one operating Fund.

The Operating Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. Normally, expenditures are divided between years by the recording of prepaid expenses. The prepaid expenses reported on the balance sheet represent payments made in advance for 2010 expenditures.

In addition to presenting information for the Operating Fund, the statements combine all fund activity and present information for the Library as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Operating Fund

The operating fund represents resources over which the trustees have discretionary control and are used to carry out the operations of the organization.

GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT AMOUNTS

CASH AND CASH EQUIVALENTS

The Library considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair market value and determined using selected bases. Short-term investments are reported at cost, which approximate fair values. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

PREPAID EXPENSES

Prepaid balances are for payments made by the Library in the current year to provide services occurring in the subsequent fiscal year.

CAPITAL ASSETS

Generally, capital assets are defined by the Library with an initial cost of more than \$1,000. Such assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred.

Depreciation on such capital assets is charged as an expense against the operations on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives (Years)</u>
Equipment and Furniture	5 – 7
Leasehold Improvements	10 – 15

Inexhaustible Collections and Books

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the library has not capitalized them.

REVENUE RECOGNITION

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Library reports any donor-restricted contributions whose restrictions are not in the same accounting period as unrestricted support.

CONTRIBUTED FACILITIES

The Library occupies certain premises, which are located in government owned buildings, without charge or at a nominal charge of \$1. The estimated fair rental value of the premises is reported as support and the corresponding expenses are shown in the period in which the premises are used. The district library does not actually own or control the locations. The Genesee District Library furnishes services and personnel for these various locations.

GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES

The Library reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick and vacation leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick and vacation leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Library's past experience of making termination payments.

The compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

DEFERRED REVENUE

Income is recognized as revenue as it is earned. Prepayments are recorded as deferred until the revenue is earned over the year.

INCOME TAX STATUS

The Library has been granted exemption from federal income taxes as an organization other than a private foundation under Internal Revenue Code.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2) DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA).

Deposits - The Board authorized the following financial institutions for the deposit of the Library's funds for the year ended December 31, 2010: Chase Bank, Citizens Bank, Security Federal Credit Union, ELGA Credit Union, Bank of America, Dort Federal Credit Union and Chemical Bank.

**GENESEE DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

2) **DEPOSITS (Continued)**

At December 31, 2010, the carrying amount of the Library's deposits, on the books was \$2,336,790. The bank balance with financial institutions classified as to risk was as follows:

Insured (FDIC or FSLIC)	\$ 1,212,317
Uninsured – Uncollateralized	<u>1,120,433</u>
<b><u>TOTAL</u></b>	<b><u>\$ 2,332,750</u></b>

A significant portion of the uninsured balance is deposited in government money market accounts.

3) **CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2010, was as follows:

	Balance Jan. 1, 2010	Additions	Deductions	Balance Dec. 31, 2010
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
Equipment and Furniture	\$1,530,091	\$0	\$0	\$1,530,091
Leasehold Improvement	<u>681,832</u>	<u>25,887</u>	<u>0</u>	<u>707,719</u>
Totals at Historical Cost	\$2,211,923	\$25,887	\$0	\$2,237,810
Less: Accumulated Depreciation	<u>(1,804,760)</u>	<u>(124,649)</u>		<u>(1,929,409)</u>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
<b><u>CAPITAL ASSETS - NET</u></b>	<b><u>\$407,163</u></b>	<b><u>(\$98,762)</u></b>	<b><u>\$0</u></b>	<b><u>\$308,401</u></b>

Depreciation expense was \$124,648 for the year ended December 31, 2010.

4) **LONG-TERM DEBT**

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

	Balance Jan. 1, 2010	Additions	Deductions	Balance Dec. 31, 2010
<b><u>Governmental Activities:</u></b>				
Compensated Absences	<u>\$220,000</u>	<u>\$42,629</u>	<u>\$0</u>	<u>\$262,629</u>

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

5) **RESTRICTED NET ASSETS**

Changes in restricted net assets are summarized below:

Balance – Beginning	\$ 61,821
Additions	
Contributions, Legacies and Bequests	24,254
Total	<u>\$ 86,075</u>
Deductions - Funds Expended During the Year	<u>17,397</u>
<b><u>BALANCE – ENDING</u></b>	<b><u>\$ 68,678</u></b>



GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

6) DESIGNATED FUND BALANCE

With the implementation of GASB 34, designated fund balance is not presented on the financial statements but the board of directors have made some designations as of December 31, 2010. They are as follows:

Equipment Fund	\$ 304,250
Election Fund	1
LSCA Title II (20 year/2014, HQ Building Grant)	101,250
Retiree Health Care Premium Fund	250,000
 <u>TOTAL</u>	 \$ 655,501

7) LEASE

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

The future obligations are as follows:

2011	\$ 39,542
2012	36,188
2013	24,628
2014	8,442
2015	7,032
 <u>TOTAL</u>	 \$ 115,832

8) DEFINED BENEFIT PENSION PLAN

The Library has a defined benefit pension plan covering substantially all employees. The plan is operated by the Genesee County Employees Retirement System (GCERS), which is an agent multiple-employer public employee retirement system (PERS). The pension plan provides retirement, survivor and disability benefits. Separate financial statements for the Library are prepared by GCERS on an annual basis.

Most of the Library employees are eligible to participate in the GCERS. Employees hired on or after January 1, 1998, shall be required to contribute 1.0% of their gross compensation for each payroll period to the Retirement System. Employees hired prior to January 1, 1998, shall be required to contribute 0.5% of their gross compensation for each payroll period to the Retirement System. A basic plan member, hired before July 1, 1995, may retire at age 60 with 8 or more years of credited service. A basic plan member, hired after July 1, 1995, may retire at age 60 with 12 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to the final average compensation (FAC) times the sum of a) 2.3% for the first 25 years of service plus b) 1.0% for years of service in excess of 25 years. Maximum employer financed portion is 60% of FAC. Final average compensation is the employee's average salary over the last highest 5 years out of the last 10 years of credited service. For 3 administration employees FAC is the highest 2 years.



**GENESEE DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

8) **DEFINED BENEFIT PENSION PLAN (Continued)**

The Library's current year covered payroll and its total current year payroll for all employees amounted to \$3,538,705 and \$3,835,060, respectively.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of the projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the GCERS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among GCERS and employers. The GCERS makes separate measurements of assets and pension benefit obligation for individual municipalities. The pension benefit obligation at December 31, 2009 (latest reporting date available) for the Library, determined through an actuarial valuation performed as of that date, was \$14,691,268. The benefit obligation is for vested and nonvested current employees. The Library's net assets available for benefits on that date (valued at cost) were \$14,024,796, leaving an underfunded pension benefit obligation of \$(666,472). The Library made contributions of \$396,578 for the year ended December 31, 2010. The investment return rate and pay increase assumption used in making the actuarial valuation was 13%. The Library funding policy is to contribute annually an amount sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Library may determine to be appropriate. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligations.

Ten year historical trend information showing the GCERS's progress in accumulating sufficient assets to pay benefits when due is presented in the December 31, 2009 comprehensive annual financial report. Three year historical trend information is as follows:

VALUATION DATE	NET ASSETS AVAILABLE FOR BENEFITS	PENSION BENEFIT OBLIGATION	PERCENT FUNDED	AMOUNT
12-31-07	\$ 461,349,321	\$ 514,859,339	89.6%	\$ 53,510,018
12-31-08	439,812,757	527,639,697	83.4%	87,826,940
12-31-09	424,482,866	543,307,372	78.1%	118,824,506

9) **OTHER POST-EMPLOYMENT BENEFITS PLAN**

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

**Funding Policy**

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

GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

9) OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$1,135,448
Interest on Net OPEB Obligation	50,831
Adjustment to Annual Required Contribution	<u>(77,821)</u>
Annual OPEB Cost (Expense)	\$1,108,458
Contributions Made	<u>(335,372)</u>
Increase in Net OPEB Obligation	\$773,086
Net OPEB Obligation - Beginning of Year	<u>1,270,788</u>
Net OPEB Obligation - End of Year	<u><u>\$2,043,875</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Change in Net OPEB Obligation	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$702,236	\$279,403	\$422,833	40%	\$795,013
2009	779,167	303,392	475,775	39%	1,270,788
2010	1,108,458	335,372	773,086	30%	2,043,875

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$11,603,048 and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$11,603,048.

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

Actuarial Methods and Assumptions

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

GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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9) OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued)

Actuarial Methods and Assumptions (Continued)

In the December 31, 2010, actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions include: a 4% discount rate and an initial inflation rate of 5%. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at December 31, 2010 was 27 years.

10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 16, 2011, the date on which the financial statements were available to be issued.

INDIVIDUAL FUND SCHEDULES OF  
EXPENDITURES

GENESEE DISTRICT LIBRARY  
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b><u>SALARIES</u></b>				
Salary - Administration	\$643,600	\$643,600	\$609,669	\$33,931
Salary - Full Time	2,833,800	2,719,800	2,638,051	81,749
Salary - Part Time	119,300	139,000	122,946	16,054
Salary - Overtime	110,000	80,000	56,315	23,685
Salary - Shelves	346,900	346,900	311,380	35,520
Longevity	104,700	96,700	96,700	0
Total Salaries	<u>\$4,158,300</u>	<u>\$4,026,000</u>	<u>\$3,835,061</u>	<u>\$190,939</u>
<b><u>FRINGE BENEFITS</u></b>				
Social Security	323,000	312,900	290,956	21,944
Retirement	441,000	428,200	396,578	31,622
Medical Insurance	961,000	799,000	731,505	67,495
Dental Insurance	77,300	77,300	71,153	6,147
Life and Disability	39,500	42,000	35,718	6,282
Worker's Compensation	12,000	14,000	14,000	0
Unemployment	22,000	73,000	72,228	772
Optical Insurance	14,200	18,600	15,353	3,247
Educational Reimbursement	6,000	6,000	600	5,400
Annuity Expenditure	37,400	37,400	34,450	2,950
Healthcare - OPEB	0	0	773,087	(773,087)
Total Fringe Benefits	<u>\$1,933,400</u>	<u>\$1,808,400</u>	<u>\$2,435,628</u>	<u>(\$627,228)</u>
<b><u>SUPPLIES</u></b>				
Office Supplies	6,000	6,000	2,774	3,226
Operating Expenditures	200,000	195,000	181,715	13,285
Postage and Shipping	36,000	36,000	32,439	3,561
Total Supplies	<u>\$242,000</u>	<u>\$237,000</u>	<u>\$216,928</u>	<u>\$20,072</u>
<b><u>BOOKS</u></b>				
Books - e-Books	10,000	10,000	7,321	2,679
Books - Paperbacks	40,500	40,500	37,626	2,874
Books - Reference	302,400	302,400	278,973	23,427
Books - System	763,000	663,000	589,468	73,532
Total Books	<u>\$1,115,900</u>	<u>\$1,015,900</u>	<u>\$913,388</u>	<u>\$102,512</u>
<b><u>PERIODICALS</u></b>				
Magazines and Newspapers	65,000	65,000	52,599	12,401
<b><u>AUDIO - VISUAL</u></b>				
CD's and Video Media	50,000	40,000	21,188	18,812
A-V Microfilm - Materials	5,000	5,000	3,488	1,512
Digital Video Disks	275,000	275,000	235,274	39,726
Audio Media	100,000	100,000	65,172	34,828
Total Audio - Visual	<u>\$430,000</u>	<u>\$420,000</u>	<u>\$325,122</u>	<u>\$94,878</u>

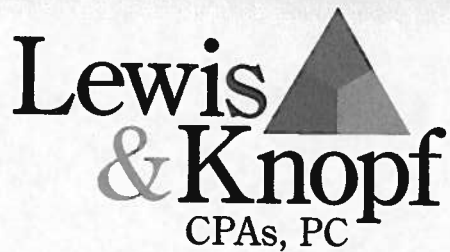
**GENESEE DISTRICT LIBRARY**  
**SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b><u>CONTRACTUAL SERVICES</u></b>				
Attorney	\$28,000	\$28,000	\$26,851	\$1,149
Payroll	10,000	10,000	7,473	2,527
Auditor	9,000	10,200	10,110	90
Consultant	20,000	3,500	3,500	0
Programming	140,000	118,000	71,869	46,131
Software	83,000	61,000	24,463	36,537
Staff Development	13,000	8,000	4,227	3,773
Collection Costs	40,000	40,000	33,917	6,083
O.C.L.C. and M.L.C.	60,000	93,000	53,991	39,009
Total Contractual Services	<u>\$403,000</u>	<u>\$371,700</u>	<u>\$236,401</u>	<u>\$135,299</u>
<b><u>TELEPHONE</u></b>				
Telephone	222,000	233,300	233,149	151
<b><u>TRAVEL</u></b>				
Travel - Regular	28,000	26,000	24,459	1,541
Travel - Workshop	10,000	8,500	3,872	4,628
Gas and Oil	5,000	5,000	4,460	540
Total Travel	<u>\$43,000</u>	<u>\$39,500</u>	<u>\$32,791</u>	<u>\$6,709</u>
<b><u>PRINTING AND ADVERTISING</u></b>				
Public Relations	60,000	65,100	65,060	40
Printing and Publishing	40,000	34,900	20,634	14,266
Events, Sponsorships, and Themes	40,000	40,000	26,957	13,043
Advertising	500	500	293	207
Total Printing and Advertising	<u>\$140,500</u>	<u>\$140,500</u>	<u>\$112,944</u>	<u>\$27,556</u>
<b><u>INSURANCE</u></b>				
Building and Contents	12,000	12,000	11,433	567
Liability and Bonds	10,000	10,000	9,316	684
Automobile Insurance	2,500	2,500	1,388	1,112
Total Insurance	<u>\$24,500</u>	<u>\$24,500</u>	<u>\$22,137</u>	<u>\$2,363</u>
<b><u>UTILITIES</u></b>				
Public Utilities	45,000	45,000	39,375	5,625
<b><u>BUILDING AND MAINTENANCE</u></b>				
Equipment Repairs and Maintenance	5,000	5,000	4,446	554
Equipment Service Contracts	67,100	67,100	46,062	21,038
Equipment Lease	40,000	40,000	36,745	3,255
Building Repairs and Maintenance	12,000	11,500	9,474	2,026
Building Service Contracts	80,000	77,000	71,217	5,783
Building Supplies	4,000	4,350	4,295	55
Computer Parts and Supplies	4,000	3,650	514	3,136
Total Building and Maintenance	<u>\$212,100</u>	<u>\$208,600</u>	<u>\$172,753</u>	<u>\$35,847</u>

**GENESEE DISTRICT LIBRARY**  
**SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>MISCELLANEOUS</u></b>				
Rent	\$1,200	\$2,500	\$2,448	\$52
Refunds	3,200	3,200	3,187	13
Memberships	3,000	3,400	3,397	3
Director's Business Expenditure	600	600	410	190
Contributed Facilities	760,000	760,000	760,000	0
Depreciation and Disposal	225,000	225,000	124,647	100,353
Gift and Grant Expenditures	20,000	20,000	35,969	(15,969)
Board Expenditure	2,500	2,500	549	1,951
Total Miscellaneous	<u>\$1,015,500</u>	<u>\$1,017,200</u>	<u>\$930,607</u>	<u>\$86,593</u>
<b><u>OTHER</u></b>				
Capital Outlay	107,000	86,700	0	86,700
Total Other	<u>\$107,000</u>	<u>\$86,700</u>	<u>\$0</u>	<u>\$86,700</u>
<b><u>TOTAL OPERATING EXPENDITURES</u></b>	<b><u>\$10,157,200</u></b>	<b><u>\$9,739,300</u></b>	<b><u>\$9,558,883</u></b>	<b><u>\$180,417</u></b>





March 16, 2011

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Trustees of  
Genesee District Library

We have audited the financial statements of the governmental activities of Genesee District Library, as of and for the year ended December 31, 2010, which collectively comprise the Genesee District Library's basic financial statements and have issued our report thereon dated March 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Genesee District Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Genesee District Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Genesee District Library's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

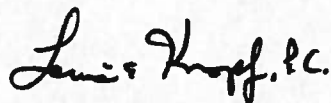
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Genesee District Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Genesee District Library  
Page 2  
March 16, 2011

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



LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS