

GENESEE DISTRICT LIBRARY

FLINT, MICHIGAN

AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2012

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April 15, 2013

**INDEPENDENT AUDITOR'S REPORT**

To the Trustees of  
Genesee District Library

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Genesee District Library as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Genesee District Library as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

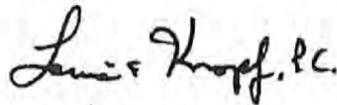
### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress on pages III - VI, 3, 13 and 14 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 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Genesee District Library's basic financial statements. The schedule of other expenditures as compared to budget – operating fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of other expenditures as compared to budget – operating fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

GENESEE DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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 position 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 Position 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:

	<b>2012</b>	<b>2011</b>
<u>ASSETS</u>		
Current Assets	\$4,738,810	\$2,736,346
Non-Current Assets	165,956	195,340
<u>TOTAL ASSETS</u>	<u>\$4,904,766</u>	<u>\$2,931,686</u>
<u>LIABILITIES</u>		
Current Liabilities	\$579,736	\$162,022
Non-Current Liabilities	3,771,301	3,060,996
Total Liabilities	\$4,351,037	\$3,223,018
<u>NET POSITION</u>		
Invested in Capital Assets - Net of Related Debt	165,956	195,340
Unrestricted - As Restated (Deficit)	387,773	(486,672)
<u>TOTAL NET POSITION (DEFICIT)</u>	<u>\$553,729</u>	<u>(\$291,332)</u>
<u>REVENUE</u>		
Property Taxes	\$7,910,811	\$6,282,711
Other	1,720,429	1,721,251
Total Revenue	\$9,631,240	\$8,003,962
<u>EXPENDITURES - LIBRARY SERVICES</u>	8,786,179	8,729,959
<u>CHANGE IN NET POSITION</u>	<u>\$845,061</u>	<u>(\$725,997)</u>

GENESEE DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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 2012, total tax collections were \$7,910,811. This represents approximately 82 percent of total revenue.
- \* Salaries and fringe benefits are the largest overall expenditure of the Library. For 2012, this expenditure was \$4,834,554, representing 60 percent of the Library's total expenditures.
- \* Library materials (books, periodicals and audio visuals) of \$1,283,972 are the second largest overall expenditure of the Library, representing 16 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 increased by \$1,584,750 for the year. This represents revenues greater than expenses.
- \* The Library Board has assigned funds established for budget stabilization (see Note 7).

OPERATING FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

**OPERATING FUND BUDGET VS. ACTUAL**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final <u>Budget %</u>
Revenues	\$9,393,000	\$9,393,000	\$9,631,240	0.00	2.54
Expenditures	<u>9,137,500</u>	<u>9,137,500</u>	<u>8,046,490</u>	0.00	11.94
<b><u>TOTAL</u></b>	<b><u>\$255,500</u></b>	<b><u>\$255,500</u></b>	<b><u>\$1,584,750</u></b>		

GENESEE DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Original vs. Final Budgets

There were no significant changes between original and final budgets

Actual Results vs. Final Budgets

Revenues

Property taxes and state aid were more 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

Capital asset activity for the year ended December 31, 2012, was as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Ending</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment and Furniture	\$1,265,915	\$0	\$63,379	\$1,202,536
Leasehold Improvement	707,719	61,194	0	768,913
Vehicles	0	25,382	0	25,382
Totals at Historical Cost	<u>\$1,973,634</u>	<u>\$86,576</u>	<u>\$63,379</u>	<u>\$1,996,831</u>
Less: Accumulated Depreciation	<u>(1,778,294)</u>	<u>(114,598)</u>	<u>(62,017)</u>	<u>(1,830,875)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$407,163</u>	<u>(\$28,022)</u>	<u>\$1,362</u>	<u>\$165,956</u>

Significant capital asset additions was the purchase of an air conditioning unit and a van.

DEBT

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

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Ending</u>
<u>Governmental Activities:</u>				
Compensated Absences	<u>\$205,000</u>	<u>\$0</u>	<u>\$30,000</u>	<u>\$175,000</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.

During 2011, the voters of the district approved an additional millage, of .25 mills for a period of six years.

GENESEE DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Library's 2013 adopted budget is as follows:

<u>REVENUE</u>	\$8,978,750
<u>EXPENDITURES</u>	<u>8,973,550</u>
<u>NET OVER BUDGET</u>	<u><u>\$5,200</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  
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2012

	General Fund - Modified Accrual Basis	Adjustments (Note 11)	Statement of Net Assets - Full Accrual Basis
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$4,331,951	\$0	\$4,331,951
Accounts Receivable	346,077	0	346,077
Prepaid Expenses	60,782	0	60,782
Total Current Assets	<u>\$4,738,810</u>	<u>\$0</u>	<u>\$4,738,810</u>
<u>NON-CURRENT ASSETS</u>			
Capital Assets	0	1,996,831	1,996,831
Less: Accumulated Depreciation	<u>0</u>	<u>(1,830,875)</u>	<u>(1,830,875)</u>
Total Noncurrent Assets	<u>\$0</u>	<u>\$165,956</u>	<u>\$165,956</u>
<u>TOTAL ASSETS</u>	<u>\$4,738,810</u>	<u>\$165,956</u>	<u>\$4,904,766</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$23,214	\$0	\$23,214
Contribution Advances	556,522	0	556,522
Total Current Liabilities	<u>\$579,736</u>	<u>\$0</u>	<u>\$579,736</u>
<u>NON-CURRENT LIABILITIES</u>			
Compensated Absences	0	175,000	175,000
Net OPEB Obligation	<u>0</u>	<u>3,596,301</u>	<u>3,596,301</u>
Total Non-Current Liabilities	<u>\$0</u>	<u>\$3,771,301</u>	<u>\$3,771,301</u>
Total Liabilities	<u>\$579,736</u>	<u>\$3,771,301</u>	<u>\$4,351,037</u>
<u>FUND BALANCE/NET POSITION</u>			
<u>FUND BALANCE</u>			
Non-Spendable	60,782		
Committed - Tax Appeals	38,893		
Assigned	655,501		
Unassigned	<u>3,403,898</u>		
Total Fund Balance	<u>\$4,159,074</u>		
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$4,738,810</u>		
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt		165,956	165,956
Unrestricted		<u>(3,771,301)</u>	<u>387,773</u>
<u>TOTAL NET POSITION (DEFICIT)</u>		<u>(\$3,605,345)</u>	<u>\$553,729</u>

See accompanying notes to the basic financial statements.

GENESEE DISTRICT LIBRARY  
STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE/ STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund - Modified <u>Accrual Basis</u>	Adjustments (Note 11)	Statement of Activities - Full <u>Accrual Basis</u>
<u>REVENUE</u>			
Property Taxes	\$7,910,811	\$0	\$7,910,811
State Penal Fines/Single Business Tax	334,323	0	334,323
State Aid	119,649	0	119,649
Investment Earnings	7,241	0	7,241
Grants, Contributions, Legacies, and Bequests	114,867	0	114,867
Library Fines, Fees and Other	344,843	0	344,843
Mid Eastern Michigan Library Cooperative	51,561	0	51,561
Use of Contributed Facilities	747,945	0	747,945
Total Revenue	<u>\$9,631,240</u>	<u>\$0</u>	<u>\$9,631,240</u>
<u>EXPENDITURES</u>	<u>8,046,490</u>	<u>739,689</u>	<u>8,786,179</u>
<u>REVENUE OVER EXPENDITURES</u>	<u>\$1,584,750</u>	<u>(\$739,689)</u>	<u>\$845,061</u>
<u>FUND BALANCE - BEGINNING OF YEAR (DEFICIT)</u>	<u>2,574,324</u>	<u>(2,865,656)</u>	<u>(291,332)</u>
<u>FUND BALANCE - END OF YEAR (DEFICIT)</u>	<u>\$4,159,074</u>	<u>(\$3,605,345)</u>	<u>\$553,729</u>

See accompanying notes to the basic financial statements

GENESEE DISTRICT LIBRARY  
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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	\$7,868,000	\$7,868,000	\$7,910,811	\$42,811
State Penal Fines/Single Business Tax	325,000	325,000	334,323	9,323
State Aid	65,000	65,000	119,649	54,649
Investment Earnings	10,000	10,000	7,241	(2,759)
Grants, Contributions, Legacies, and Bequests	15,000	15,000	114,867	99,867
Library Fines, Fees and Other	350,000	350,000	344,843	(5,157)
Mid Eastern Michigan Library Cooperative	0	0	51,561	51,561
Use of Contributed Facilities	760,000	760,000	747,945	(12,055)
Total Revenues	<u>\$9,393,000</u>	<u>\$9,393,000</u>	<u>\$9,631,240</u>	<u>\$238,240</u>
<b><u>EXPENDITURES</u></b>				
Salaries and Wages	3,492,000	3,492,000	3,276,462	215,538
Fringe Benefits	1,788,000	1,788,000	1,558,092	229,908
Supplies	245,000	198,000	143,114	54,886
Books	960,000	960,000	835,478	124,522
Periodicals	65,000	65,000	49,491	15,509
Audio Visual	410,000	410,000	399,003	10,997
Contractual Services	327,000	327,000	203,590	123,410
Telephone	220,000	220,000	206,327	13,673
Travel	39,500	39,500	30,547	8,953
Printing	150,200	150,200	145,191	5,009
Insurance	28,000	28,000	23,320	4,680
Utilities	50,000	50,000	42,649	7,351
Building & Maintenance	201,500	201,500	158,508	42,992
Miscellaneous	1,011,300	1,113,300	879,843	233,457
Capital Outlay	150,000	95,000	94,875	125
Total Expenditures	<u>\$9,137,500</u>	<u>\$9,137,500</u>	<u>\$8,046,490</u>	<u>\$1,091,010</u>
<b><u>REVENUES OVER EXPENDITURES</u></b>	<u>\$255,500</u>	<u>\$255,500</u>	<u>\$1,584,750</u>	<u>\$1,329,250</u>
<b><u>FUND BALANCE - BEGINNING OF YEAR</u></b>			<u>2,574,324</u>	
<b><u>FUND BALANCE - END OF YEAR</u></b>			<u>\$4,159,074</u>	

See accompanying notes to the basic financial statements.

GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Genesee District Library (the 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 as 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.

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, 2012

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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

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 Library does not actually own or control the locations. The Library furnishes services and personnel for these various locations.

GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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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.

CONTRIBUTION ADVANCES

Gift advances from donors are recognized as revenue as they are earned. Prepayments are recorded as advanced 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.

FUND BALANCE

The Library implemented, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Fund balances for each of the Library's governmental funds are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- \* Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- \* Committed fund balance - amounts that can be spent only for specific purposes determined by a formal action resolution of the Library's highest level of decision-making authority, the Board of Trustees.
- \* Assigned fund balance - amounts the Library intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Trustees.
- \* Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the Library's General Fund.

The Library would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first to defer the use of these classified funds.

GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 65, *Items Previously Reports as Assets and Liabilities*. This statement was implemented for the year ended December 31, 2012. The statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, deferred inflows of resources, or current- period outflows and inflows.

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, 2012: Chase Bank, Citizens Bank, Security Federal Credit Union, ELGA Credit Union, Bank of America, Dort Federal Credit Union, Chemical Bank and Financial Plus Federal Credit Union.

At December 31, 2012, the carrying amount of the Library's deposits, on the books was \$4,331,951. The bank balance with financial institutions classified as to risk was as follows:

Insured (FDIC or FSLIC)	\$ 1,554,149
Uninsured – Uncollateralized	<u>2,868,189</u>
<u>TOTAL</u>	<u>\$ 4,422,338</u>

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

3) PROPERTY TAXES

Property taxes for the Library are levied on December 1 by various cities and townships in the County of Genesee, and are due 90 days after the levy date. The taxes are collected by each levying governmental unit and remitted to the Library. The delinquent real property taxes are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities 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.

GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

4) CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2012, was as follows:

	Balance <u>Beginning</u>	Additions	Deductions	Balance <u>Ending</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment and Furniture	\$1,265,915	\$0	\$63,379	\$1,202,536
Leasehold Improvement	707,719	61,194	0	768,913
Vehicles	0	25,382	0	25,382
Totals at Historical Cost	<u>\$1,973,634</u>	<u>\$86,576</u>	<u>\$63,379</u>	<u>\$1,996,831</u>
Less: Accumulated Depreciation	<u>(1,778,294)</u>	<u>(114,598)</u>	<u>(62,017)</u>	<u>(1,830,875)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$407,163</u>	<u>(\$28,022)</u>	<u>\$1,362</u>	<u>\$165,956</u>

Depreciation expense was \$114,598 for the year ended December 31, 2012.

5) LONG-TERM DEBT

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

	Balance <u>Beginning</u>	Additions	Deductions	Balance <u>Ending</u>
<u>Governmental Activities:</u>				
Compensated Absences	<u>\$205,000</u>	<u>\$0</u>	<u>\$30,000</u>	<u>\$175,000</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.

6) CONTRIBUTION ADVANCES

Changes in contribution advances are summarized below:

Balance – Beginning	\$ 97,674
Additions	
Contributions, Legacies and Bequests	527,522
Total	<u>\$ 625,196</u>
Deductions - Funds Expended During the Year	<u>68,674</u>
<u>BALANCE – ENDING</u>	<u>\$ 556,522</u>

GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

7) ASSIGNED FUND BALANCE

Assigned fund balance as of December 31, 2012 is 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>	 <u>\$ 655,501</u>

8) 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. The lease expires on July 31, 2013.

The future obligations are as follows:

2013	\$	24,628
2014		8,442
2015		7,032
 <u>TOTAL</u>	 <u>\$</u>	 <u>40,102</u>

9) 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.

The Library's current year covered payroll and its total current year payroll for all employees amounted to \$2,884,510 and \$3,246,462, respectively.

GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

9) DEFINED BENEFIT PENSION PLAN (Continued)

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, 2011 (latest reporting date available) for the Library, determined through an actuarial valuation performed as of that date, was \$15,497,117. 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 \$11,621,634, leaving an underfunded pension benefit obligation of \$(3,875,483). The Library made contributions of \$370,659 for the year ended December 31, 2012. 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, 2011 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
12-31-09	\$ 424,482,866	\$ 543,307,372	78.1%	\$ 118,824,506
12-31-10	401,700,454	564,033,044	71.2%	162,332,590
12-31-11	365,262,318	549,929,631	66.4%	184,667,313

10) 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.

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:

GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

10) OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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>(368,153)</u>
Increase in Net OPEB Obligation	\$740,305
 Net OPEB Obligation - Beginning of Year	 <u>2,855,996</u>
 Net OPEB Obligation - End of Year	 <u><u>\$3,596,301</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:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Employer</u> <u>Contribution</u>	<u>Change in</u> <u>Net OPEB</u> <u>Obligation</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
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
2011	1,108,458	296,337	812,121	27%	2,855,996
2012	1,108,458	368,153	740,305	33%	3,596,301

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.

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.

GENESEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

11) RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's General Fund differs from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$4,159,074
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Amounts Reported in the Statement of Net Assets Are

Different Because:

Capital Assets are Not Financial Resources, and are Not Reported in the Funds	165,956
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Long-Term Liabilities	(3,771,301)
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<u>NET ASSETS OF GENERAL FUND - FULL ACCRUAL BASIS</u>	\$553,729
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Net Changes in Fund Balances - Modified Accrual Basis	\$1,584,750
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Amounts Reported in the Statement of Activities Are

Different Because:

Capital Outlays are Reported as Expenditures in the Statement of Revenue, Expenditures, and Changes in Fund Balance; in the Statement of Activities, These Costs are Allocated Over Their Estimated Useful Lives as Depreciation:

Decrease in Long-Term Liabilities	30,000
Healthcare - OPEB	(740,305)
Purchase of Assets	86,576
Loss Due to Sale of Assets	(1,362)
Depreciation	(114,598)

<u>CHANGES IN NET ASSETS OF GENERAL FUND - FULL ACCRUAL BASIS</u>	\$845,061
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12) CONTINGENT LIABILITIES

During the year, the Library received a bequest in the amount of \$329,054. A legal claim has been initiated against the Library for this amount. As of the date of the report, the outcome of the case has not been determined. The Library has accrued this amount as a contribution advance as of December 31, 2012.

13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor's opinion, the date on which the financial statements were available to be issued.

Management approved a new 3-year labor agreement with its unionized employees in March of 2013. The agreement expires December 31, 2015.

**REQUIRED SUPPLEMENTARY INFORMATION**

**(unaudited – not covered by audit opinion)**

GENESEE DISTRICT LIBRARY  
GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

DEFINED BENEFIT PENSION PLAN

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered payroll ((b-a)/c)
12-31-05	\$412,739,184	\$467,582,019	\$54,842,835	88.3%	\$70,433,450	77.9%
12-31-06	445,962,298	490,334,814	44,372,516	91.0%	70,204,587	63.2%
12-31-07	461,349,321	514,859,339	53,510,018	89.6%	68,341,150	78.3%
12-31-08	439,812,757	527,639,697	87,826,940	83.4%	67,720,817	129.7%
12-31-09	424,482,866	543,307,372	118,824,506	78.1%	65,511,481	181.4%
12-31-10	401,700,454	564,033,044	162,332,590	71.2%	57,794,546	280.9%
12-31-11	365,262,318	549,929,631	184,667,313	66.4%	52,236,539	353.5%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
12-31-05	12/31/2003	\$187,453	100.0%
12-31-06	12/31/2004	321,451	100.0%
12-31-07	12/31/2005	497,896	100.0%
12-31-08	12/31/2006	447,683	100.0%
12-31-09	12/31/2007	333,088	100.0%
12-31-10	12/31/2008	396,578	100.0%
12-31-11	12/31/2011	386,393	100.0%

GENESEE DISTRICT LIBRARY  
GASB STATEMENT 45 REQUIRED SUPPLEMENTARY INFORMATION

RETIRED EMPLOYEES HEALTHCARE PLAN

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered payroll ((b-a)/c)
12-31-10	0	11,603,048	11,603,048	0.0%	3,538,705	327.9%
12-31-11	0	11,603,048	11,603,048	0.0%	2,884,510	402.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ended</u>	Annual Required Contribution	Actual Contribution	% Contributed	Annual Net OPEB Obligation	Percentage Contributed
12-31-07	\$631,947	\$259,767	41.1%	372,180	0.0%
12-31-08	702,236	279,403	39.8%	795,013	0.0%
12-31-09	779,167	303,392	38.9%	1,270,789	0.0%
12-31-10	1,108,458	335,372	30.3%	2,043,875	0.0%
12-31-11	1,108,458	296,337	26.7%	2,855,996	0.0%
12-31-12	1,108,458	368,153	33.2%	3,596,301	0.0%

**OTHER SUPPLEMENTAL  
INFORMATION**

GENESEE DISTRICT LIBRARY  
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b><u>SALARIES</u></b>				
Salary - Administration	\$550,000	\$550,000	\$491,458	\$58,542
Salary - Full Time	2,370,000	2,370,000	2,279,120	90,880
Salary - Part Time	80,000	80,000	57,929	22,071
Salary - Overtime	65,000	65,000	45,599	19,401
Salary - Shelves	347,000	347,000	322,356	24,644
Longevity	80,000	80,000	80,000	0
Total Salaries	<u>\$3,492,000</u>	<u>\$3,492,000</u>	<u>\$3,276,462</u>	<u>\$215,538</u>
<b><u>FRINGE BENEFITS</u></b>				
Social Security	275,000	275,000	254,470	20,530
Retirement	400,000	400,000	370,660	29,340
Medical Insurance	910,000	910,000	771,676	138,324
Dental Insurance	81,000	78,400	70,323	8,077
Life and Disability	35,000	35,000	31,904	3,096
Worker's Compensation	15,000	17,600	17,519	81
Unemployment	25,000	25,000	358	24,642
Optical Insurance	11,000	11,000	10,876	124
Educational Reimbursement	6,000	6,000	0	6,000
Annuity Expenditure	30,000	30,000	30,306	(306)
Total Fringe Benefits	<u>\$1,788,000</u>	<u>\$1,788,000</u>	<u>\$1,558,092</u>	<u>\$229,908</u>
<b><u>SUPPLIES</u></b>				
Office Supplies	5,000	5,000	1,816	3,184
Operating Expenditures	200,000	153,000	106,843	46,157
Postage and Shipping	40,000	40,000	34,455	5,545
Total Supplies	<u>\$245,000</u>	<u>\$198,000</u>	<u>\$143,114</u>	<u>\$54,886</u>
<b><u>BOOKS</u></b>				
Books - e-Books	10,000	10,000	4,799	5,201
Books - Paperbacks	40,600	40,600	39,546	1,054
Books - Reference	237,100	237,100	234,657	2,443
Books - System	672,300	672,300	556,476	115,824
Total Books	<u>\$960,000</u>	<u>\$960,000</u>	<u>\$835,478</u>	<u>\$124,522</u>
<b><u>PERIODICALS</u></b>				
Magazines and Newspapers	65,000	65,000	49,491	15,509
<b><u>AUDIO - VISUAL</u></b>				
CD's and Video Media	20,000	20,000	11,957	8,043
A-V Microfilm - Materials	5,000	5,000	3,682	1,318
Digital Video Disks	200,000	195,400	193,912	1,488
Digital Media	120,000	120,000	119,989	11
Audio Media	65,000	69,600	69,463	137
Total Audio - Visual	<u>\$410,000</u>	<u>\$410,000</u>	<u>\$399,003</u>	<u>\$10,997</u>

GENESEE DISTRICT LIBRARY  
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b><u>CONTRACTUAL SERVICES</u></b>				
Attorney	\$28,000	\$28,000	\$19,300	\$8,700
Payroll	14,000	12,400	7,021	5,379
Auditor	15,000	15,000	12,540	2,460
Programming	100,000	101,600	101,544	56
Software	60,000	60,000	27,144	32,856
Staff Development	10,000	10,000	3,349	6,651
Collection Costs	45,000	45,000	30,275	14,725
O.C.L.C. and M.L.C.	55,000	55,000	2,417	52,583
Total Contractual Services	\$327,000	\$327,000	\$203,590	\$123,410
<b><u>TELEPHONE</u></b>				
Telephone	220,000	220,000	206,327	13,673
<b><u>TRAVEL</u></b>				
Travel - Regular	25,000	25,000	21,891	3,109
Travel - Workshop	7,500	7,500	2,791	4,709
Gas and Oil	7,000	7,000	5,865	1,135
Total Travel	\$39,500	\$39,500	\$30,547	\$8,953
<b><u>PRINTING AND ADVERTISING</u></b>				
Public Relations	70,000	74,200	74,130	70
Printing and Publishing	50,000	45,600	40,795	4,805
Events, Sponsorships, and Themes	30,000	30,200	30,166	34
Advertising	200	200	100	100
Total Printing and Advertising	\$150,200	\$150,200	\$145,191	\$5,009
<b><u>INSURANCE</u></b>				
Building and Contents	13,000	14,300	14,220	80
Liability and Bonds	12,000	10,700	6,909	3,791
Automobile Insurance	3,000	3,000	2,191	809
Total Insurance	\$28,000	\$28,000	\$23,320	\$4,680
<b><u>UTILITIES</u></b>				
Public Utilities	50,000	50,000	42,649	7,351
<b><u>BUILDING AND MAINTENANCE</u></b>				
Equipment Repairs and Maintenance	6,000	6,500	6,259	241
Equipment Service Contracts	65,000	64,500	56,895	7,605
Equipment Lease	25,000	25,000	21,186	3,814
Building Repairs and Maintenance	15,000	15,000	7,218	7,782
Building Service Contracts	80,000	80,000	62,648	17,352
Building Supplies	7,000	7,000	3,468	3,532
Computer Parts and Supplies	3,500	3,500	834	2,666
Total Building and Maintenance	\$201,500	\$201,500	\$158,508	\$42,992

GENESEE DISTRICT LIBRARY  
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>MISCELLANEOUS</u>				
Rent	\$1,500	\$1,750	\$1,704	\$46
Refunds	4,000	4,000	3,754	246
Memberships	4,000	3,750	3,274	476
Director's Business Expenditure	300	300	136	164
Contributed Facilities	760,000	760,000	747,945	12,055
Depreciation and Disposal	220,000	220,000	0	220,000
Gift and Grant Expenditures	20,000	122,000	121,928	72
Board Expenditure	1,500	1,500	1,102	398
Total Miscellaneous	<u>\$1,011,300</u>	<u>\$1,113,300</u>	<u>\$879,843</u>	<u>\$233,457</u>
<u>OTHER</u>				
Capital Outlay	<u>150,000</u>	<u>95,000</u>	<u>94,875</u>	<u>125</u>
<u>TOTAL OPERATING EXPENDITURES</u>	<u><u>\$9,137,500</u></u>	<u><u>\$9,137,500</u></u>	<u><u>\$8,046,490</u></u>	<u><u>\$1,091,010</u></u>



April 15, 2013

To the Finance Committee of  
Genesee District Library

We have audited the financial statements of the governmental activities and the major fund of the Genesee District Library for the year ended December 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 18, 2013. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Genesee District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012 except for the adoption of GASB 65 (Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position). We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the compensated absences is based on the number of days, both vacation and personal accrued by employees. The liability is calculated by taking the number of accrued days and multiplying it by the individual employees pay rate. We evaluated the key factors and assumptions used to develop the compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Other Post-employment Benefits is based on actuarial evaluations about the probability of the occurrence of events far into the future. Examples included 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. We evaluated the key factors and assumptions used to develop the Other Post-employment Benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

##### *Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 15, 2013.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

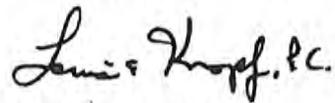
Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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This information is intended solely for the use of the finance committee and management of Genesee District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



Lewis  
& Knopf  
CPAs, PC