

GENESEE DISTRICT LIBRARY

FLINT, MICHIGAN

AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	I - II
Management's Discussion and Analysis	III – VI
Basic Financial Statements:	
Governmental Fund Balance Sheet/Statement of Net Position	1
Statement of Governmental Revenue, Expenditures and Changes in Fund Balance/ Statement of Activities	2
Budgetary Comparison Schedules:	
Operating Fund	3
Notes to the Financial Statements	4 – 13
Required Supplementary Information	
GASB Statement 25 Required Supplementary Information	14
GASB Statement 45 Required Supplementary Information	15
Other Supplemental Schedules:	
Schedule 1 - Schedule of Expenditures as Compared to Budget - Operating Fund for the Year Ended December 31, 2013	16 – 18



April 15, 2014

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, 2013, 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, 2013, 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

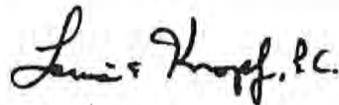
Required Supplementary Information

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, 14 and 15 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 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 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 schedule of expenditures as compared to budget – operating fund is 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, 2013

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:

	2013	2012
ASSETS		
Current Assets	\$5,408,706	\$4,738,810
Non-Current Assets	134,475	165,956
<u>TOTAL ASSETS</u>	\$5,543,181	\$4,904,766
LIABILITIES		
Current Liabilities	\$335,126	\$579,736
Non-Current Liabilities	4,172,599	3,771,301
Total Liabilities	\$4,507,725	\$4,351,037
NET POSITION		
Invested in Capital Assets - Net of Related Debt	134,475	165,956
Unrestricted - As Restated (Deficit)	900,981	307,173
<u>TOTAL NET POSITION (DEFICIT)</u>	\$1,035,456	\$473,129
REVENUE		
Property Taxes	\$7,432,615	\$7,910,811
Other	2,045,062	1,720,429
Total Revenue	\$9,477,677	\$9,631,240
EXPENDITURES - LIBRARY SERVICES	8,915,350	8,866,779
<u>CHANGE IN NET POSITION</u>	\$562,327	\$764,461

GENESEE DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 2013, total tax collections were \$7,432,615. This represents approximately 78 percent of total revenue.
- * Salaries and fringe benefits are the largest overall expenditure of the Library. For 2013, this expenditure was \$5,177,787, representing approximately 58 percent of the Library's total expenditures.
- * Library materials (books, periodicals and audio visuals) of \$769,339 are the second largest overall expenditure of the Library, representing 9 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 \$995,106 for the year. This represents revenues greater than expenses.
- * The Library Board has assigned funds established for budget stabilization (see Note 8).

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	\$8,978,750	\$9,004,000	\$9,477,677	0.28	5.26
Expenditures	<u>8,973,550</u>	<u>8,973,550</u>	<u>8,482,571</u>	0.00	5.47
<u>TOTAL</u>	<u>\$5,200</u>	<u>\$30,450</u>	<u>\$995,106</u>		

GENESEE DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

Original vs. Final Budgets

There were no significant changes between original and final budgets

Actual Results vs. Final Budgets

Revenues

Current year revenues include a bequest settlement.

Expenditures

There were no significant changes between prior year and current year expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital asset activity for the year ended December 31, 2013, was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment and Furniture	\$1,202,536	\$0	\$2,136	\$1,200,400
Leasehold Improvement	768,913	0	0	768,913
Vehicles	25,382	0	0	25,382
Totals at Historical Cost	\$1,996,831	\$0	\$2,136	\$1,994,695
Less: Accumulated Depreciation	(1,830,875)	(31,482)	(2,137)	(1,860,220)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$165,956</u>	<u>(\$31,482)</u>	<u>(\$1)</u>	<u>\$134,475</u>

There were no significant capital asset additions during the year.

DEBT

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

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
<u>Governmental Activities:</u>				
Compensated Absences	<u>\$175,000</u>	<u>\$0</u>	<u>\$20,000</u>	<u>\$155,000</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, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Library's 2014 adopted budget is as follows:

<u>REVENUE</u>	\$8,917,000
<u>EXPENDITURES</u>	<u>8,608,200</u>
<u>NET OVER BUDGET</u>	<u><u>\$308,800</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, 2013

	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	\$5,061,763	\$0	\$5,061,763
Accounts Receivable	256,058	0	256,058
Prepaid Expenses	90,885	0	90,885
Total Current Assets	<u>\$5,408,706</u>	<u>\$0</u>	<u>\$5,408,706</u>
<u>NON-CURRENT ASSETS</u>			
Capital Assets	0	1,994,695	1,994,695
Less: Accumulated Depreciation	0	(1,860,220)	(1,860,220)
Total Noncurrent Assets	<u>\$0</u>	<u>\$134,475</u>	<u>\$134,475</u>
<u>TOTAL ASSETS</u>	<u>\$5,408,706</u>	<u>\$134,475</u>	<u>\$5,543,181</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$26,916	\$0	\$26,916
Accrued and Other Liabilities	9,774	0	9,774
Contribution Advances	298,436	0	298,436
Total Current Liabilities	<u>\$335,126</u>	<u>\$0</u>	<u>\$335,126</u>
<u>NON-CURRENT LIABILITIES</u>			
Compensated Absences	0	155,000	155,000
Net OPEB Obligation	0	4,017,599	4,017,599
Total Non-Current Liabilities	<u>\$0</u>	<u>\$4,172,599</u>	<u>\$4,172,599</u>
Total Liabilities	<u>\$335,126</u>	<u>\$4,172,599</u>	<u>\$4,507,725</u>
<u>FUND BALANCE/NET POSITION</u>			
<u>FUND BALANCE</u>			
Non-Spendable	90,885		
Committed - Tax Appeals	38,893		
Assigned	655,501		
Unassigned	4,288,301		
Total Fund Balance	<u>\$5,073,580</u>		
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$5,408,706</u>		
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt		134,475	134,475
Unrestricted		(4,172,599)	900,981
<u>TOTAL NET POSITION (DEFICIT)</u>		<u>(\$4,038,124)</u>	<u>\$1,035,456</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, 2013

	<u>General Fund - Modified Accrual Basis</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Activities - Full Accrual Basis</u>
<u>REVENUE</u>			
Property Taxes	\$7,432,615	\$0	\$7,432,615
State Penal Fines/Single Business Tax	312,862	0	312,862
State Aid	207,041	0	207,041
Investment Earnings	7,598	0	7,598
Grants, Contributions, Legacies, and Bequests	416,740	0	416,740
Library Fines, Fees and Other	350,126	0	350,126
Mid Eastern Michigan Library Cooperative	2,750	0	2,750
Use of Contributed Facilities	747,945	0	747,945
Total Revenue	<u>\$9,477,677</u>	<u>\$0</u>	<u>\$9,477,677</u>
<u>EXPENDITURES</u>	<u>8,482,571</u>	<u>432,779</u>	<u>8,915,350</u>
<u>REVENUE OVER EXPENDITURES</u>	<u>\$995,106</u>	<u>(\$432,779)</u>	<u>\$562,327</u>
<u>FUND BALANCE/NET POSITION - BEGINNING OF YEAR</u>			
<u>(DEFICIT) - AS RESTATED</u>	<u>4,078,474</u>	<u>(3,605,345)</u>	<u>473,129</u>
<u>FUND BALANCE/NET POSITION - END OF YEAR (DEFICIT)</u>	<u>\$5,073,580</u>	<u>(\$4,038,124)</u>	<u>\$1,035,456</u>

See accompanying notes to the basic financial statements

GENESEE DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Property Taxes	\$7,868,000	\$7,432,600	\$7,432,615	\$15
State Penal Fines/Single Business Tax	325,000	312,800	312,862	62
State Aid	65,000	75,000	207,041	132,041
Investment Earnings	10,000	7,500	7,598	98
Grants, Contributions, Legacies, and Bequests	15,000	15,000	416,740	401,740
Library Fines, Fees and Other	350,000	401,100	350,126	(50,974)
Mid Eastern Michigan Library Cooperative	0	0	2,750	2,750
Use of Contributed Facilities	760,000	760,000	747,945	(12,055)
Total Revenues	<u>\$9,393,000</u>	<u>\$9,004,000</u>	<u>\$9,477,677</u>	<u>\$473,677</u>
<u>EXPENDITURES</u>				
Salaries and Wages	3,402,500	3,238,400	3,231,250	7,150
Fringe Benefits	1,886,600	1,649,900	1,545,239	104,661
Supplies	228,000	193,000	184,628	8,372
Books	880,050	800,050	769,339	30,711
Periodicals	60,000	60,000	36,738	23,262
Audio Visual	450,500	410,600	373,674	36,926
Contractual Services	282,500	266,900	236,378	30,522
Telephone	215,000	434,700	434,615	85
Travel	39,000	39,000	29,127	9,873
Printing	140,200	144,200	131,886	12,314
Insurance	32,000	32,000	24,647	7,353
Utilities	40,000	43,000	42,908	92
Building & Maintenance	212,100	215,500	141,578	73,922
Miscellaneous	1,030,100	1,411,300	1,271,681	139,619
Capital Outlay	75,000	35,000	28,883	6,117
Total Expenditures	<u>\$8,973,550</u>	<u>\$8,973,550</u>	<u>\$8,482,571</u>	<u>\$490,979</u>
<u>REVENUES OVER EXPENDITURES</u>	<u>\$419,450</u>	<u>\$30,450</u>	\$995,106	<u>\$964,656</u>
<u>FUND BALANCE - BEGINNING OF YEAR - AS RESTATED</u>			<u>4,078,474</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$5,073,580</u>	

See accompanying notes to the basic financial statements.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013

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 one year 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, 2013

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, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was issued by the GASB in June 2012 and will be effective for the Library's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Library for these budgetary funds were adopted to the functional level.

3) 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, 2013: Chase Bank, First Merit 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, 2013, the carrying amount of the Library's deposits, on the books was \$5,057,763. The bank balance with financial institutions classified as to risk was as follows:

Insured (FDIC or FSLIC)	\$ 1,438,088
Uninsured – Uncollateralized	<u>4,011,684</u>
<u>TOTAL</u>	<u>\$ 5,449,772</u>

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

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

4) 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.

5) CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2013, was as follows:

	Balance Beginning	Additions	Deductions	Balance Ending
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment and Furniture	\$1,202,536	\$0	\$2,136	\$1,200,400
Leasehold Improvement	768,913	0	0	768,913
Vehicles	25,382	0	0	25,382
Totals at Historical Cost	\$1,996,831	\$0	\$2,136	\$1,994,695
Less: Accumulated Depreciation	(1,830,875)	(31,482)	(2,137)	(1,860,220)
 <u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	\$165,956	(\$31,482)	(\$1)	\$134,475

Depreciation expense was \$31,482 for the year ended December 31, 2013.

6) LONG-TERM DEBT

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

	Balance Beginning	Additions	Deductions	Balance Ending
<u>Governmental Activities:</u>				
Compensated Absences	\$175,000	\$0	\$20,000	\$155,000

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.

7) CONTRIBUTION ADVANCES

Changes in contribution advances are summarized below:

Balance – Beginning	\$ 556,522
Additions	
Contributions, Legacies and Bequests	106,704
Total	\$ 663,226
Deductions - Funds Expended During the Year	364,790
 <u>BALANCE – ENDING</u>	 \$ 298,436

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

8) ASSIGNED FUND BALANCE

Assigned fund balance as of December 31, 2013 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	<u>250,000</u>
 <u>TOTAL</u>	 <u>\$ 655,501</u>

9) FUND BALANCE RESTATEMENT

Assigned fund balance as of December 31, 2013 is as follows:

Fund Balance – As Previously Stated	\$ 4,159,074
Adjustment of Prior Year Expenses for Mideastern Michigan Library	<u>(80,600)</u>
 <u>FUND BALANCE – AS RESTATED</u>	 <u>\$ 4,078,474</u>

10) 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 \$2,312. The lease expires on December 31, 2014.

The future obligations are as follows:

2014	\$ 36,041
2015	<u>6,912</u>
 <u>TOTAL</u>	 <u>\$ 42,953</u>

11) 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 \$2,647,665 and \$3,231,251, respectively.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

11) 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, 2012 (latest reporting date available) for the Library, determined through an actuarial valuation performed as of that date, was \$15,038,357. 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 \$12,061,376, leaving an underfunded pension benefit obligation of \$(2,976,981). The Library made contributions of \$371,059 for the year ended December 31, 2013. 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.

The December 31, 2012 comprehensive annual financial report shows a ten year historical trend of the GCERS’s progress in accumulating sufficient assets to pay benefits when due. Three year historical trend information is as follows:

VALUATION DATE	NET ASSETS AVAILABLE FOR BENEFITS	PENSION BENEFIT OBLIGATION	PERCENT FUNDED	AMOUNT
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
12-31-12	387,979,375	559,390,939	69.4%	171,411,564

12) DEFINED CONTRIBUTION PLAN

Effective January 1, 2013, the Library implemented a new defined contributions plan administered by Municipal Employees’ Retirement System (MERS). The plan may be amended according to the provisions of 1996 PA 220. All new employees with a hire date on or after January 1, 2013 are eligible for this plan and no new participants will be enrolled in the library’s defined benefit plan.

Employees covered by the plan are eligible to participate from the date of employment. The Plan defines the library’s contribution at 3 percent of the employee’s gross pay. Employees are one hundred percent vested in their contributions immediately. Contributions to the Plan for the year ended December 31, 2013 totaled \$6,433.

13) 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, 2013

13) 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 OPEB Cost and Net OPEB Obligation (Continued)

Annual Required Contribution	\$884,355
Interest on Net OPEB Obligation	143,852
Adjustment to Annual Required Contribution	<u>(235,870)</u>
Annual OPEB Cost (Expense)	\$792,337
Contributions Made	<u>(371,039)</u>
Increase in Net OPEB Obligation	\$421,298
Net OPEB Obligation - Beginning of Year	<u>3,596,301</u>
Net OPEB Obligation - End of Year	<u><u>\$4,017,599</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
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
2013	792,337	371,039	421,298	47%	4,017,599

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$9,581,524 and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$9,581,524.

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.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

13) OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued)

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, 2013, actuarial valuation, the projected unit credit 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, 2013 was 24 years.

14) 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	\$5,073,580
Amounts Reported in the Statement of Net Assets Are	
Different Because:	
Capital Assets are Not Financial Resources, and are Not Reported in the Funds	134,475
Long-Term Liabilities	<u>(4,172,599)</u>
NET ASSETS OF GENERAL FUND - FULL ACCRUAL BASIS	<u>\$1,035,456</u>
Net Changes in Fund Balances - Modified Accrual Basis	\$995,106
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	20,000
Healthcare - OPEB	(421,298)
Disposal of Fixed Assets	1
Depreciation	<u>(31,482)</u>
<u>CHANGES IN NET ASSETS OF GENERAL FUND - FULL ACCRUAL BASIS</u>	<u><u>\$562,327</u></u>

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

15) CONTINGENT LIABILITIES

During the year, a former employee of the Library filed suit regarding a termination of employment matter. As of the date of the report, the matter had just entered the discovery phase and the outcome of the case and a potential loss amount, if any, has not been determined.

16) 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.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of covered payroll ((b-a)/c)</u>
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%
12-31-12	387,979,375	559,390,939	171,411,564	69.4%	49,736,813	344.6%

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%
12-31-12	12/31/2012	395,471	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%
12-31-10	0	11,603,048	11,603,048	0.0%	2,884,510	402.3%
12-31-13	0	9,581,524	9,581,524	0.0%	2,647,665	361.9%

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%
12-31-13	792,337	371,039	46.8%	4,017,599	0.0%

**OTHER SUPPLEMENTAL
INFORMATION**

GENESEE DISTRICT LIBRARY
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<u>SALARIES</u>				
Salary - Administration	\$549,000	\$469,000	\$470,856	(\$1,856)
Salary - Full Time	2,324,200	2,284,200	2,280,660	3,540
Salary - Part Time	71,000	71,900	71,883	17
Salary - Overtime	60,000	50,000	45,959	4,041
Salary - Shelves	347,000	312,000	310,592	1,408
Longevity	51,300	51,300	51,300	0
Total Salaries	<u>\$3,402,500</u>	<u>\$3,238,400</u>	<u>\$3,231,250</u>	<u>\$7,150</u>
<u>FRINGE BENEFITS</u>				
Social Security	265,400	250,400	243,969	6,431
Retirement	504,100	504,100	446,661	57,439
Medical Insurance	918,500	698,500	679,374	19,126
Dental Insurance	83,700	83,700	73,486	10,214
Life and Disability	35,000	35,000	34,594	406
Worker's Compensation	17,000	23,000	22,925	75
Unemployment	12,500	2,500	0	2,500
Optical Insurance	12,800	12,800	9,780	3,020
Educational Reimbursement	6,000	6,000	600	5,400
Annuity Expenditure	31,600	33,900	33,850	50
Total Fringe Benefits	<u>\$1,886,600</u>	<u>\$1,649,900</u>	<u>\$1,545,239</u>	<u>\$104,661</u>
<u>SUPPLIES</u>				
Office Supplies	3,000	3,000	2,258	742
Operating Expenditures	190,000	155,000	152,196	2,804
Postage and Shipping	35,000	35,000	30,174	4,826
Total Supplies	<u>\$228,000</u>	<u>\$193,000</u>	<u>\$184,628</u>	<u>\$8,372</u>
<u>BOOKS</u>				
Books - e-Books	15,000	15,000	9,015	5,985
Books - Paperbacks	38,525	38,525	34,491	4,034
Books - Reference	220,200	180,200	170,418	9,782
Books - System	606,325	566,325	555,415	10,910
Total Books	<u>\$880,050</u>	<u>\$800,050</u>	<u>\$769,339</u>	<u>\$30,711</u>
<u>PERIODICALS</u>				
Magazines and Newspapers	60,000	60,000	36,738	23,262
<u>AUDIO - VISUAL</u>				
CD's and Video Media	15,000	15,100	15,027	73
A-V Microfilm - Materials	5,000	5,000	4,051	949
Digital Video Disks	210,000	210,000	192,614	17,386
Digital Media	155,500	115,500	109,219	6,281
Audio Media	65,000	65,000	52,763	12,237
Total Audio - Visual	<u>\$450,500</u>	<u>\$410,600</u>	<u>\$373,674</u>	<u>\$36,926</u>

GENESEE DISTRICT LIBRARY
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<u>CONTRACTUAL SERVICES</u>				
Attorney	\$28,000	\$32,400	\$32,323	\$77
Payroll	9,000	9,000	7,119	1,881
Auditor	15,000	15,000	13,050	1,950
Consultant	0	5,000	4,983	17
Programming	80,000	80,000	77,084	2,916
Software	45,000	30,000	24,824	5,176
Staff Development	8,000	8,000	1,331	6,669
Collection Costs	40,000	40,000	29,595	10,405
O.C.L.C. and M.L.C.	57,500	47,500	46,069	1,431
Total Contractual Services	<u>\$282,500</u>	<u>\$266,900</u>	<u>\$236,378</u>	<u>\$30,522</u>
<u>TELEPHONE</u>				
Telephone	215,000	434,700	434,615	85
<u>TRAVEL</u>				
Travel - Regular	25,000	25,000	19,653	5,347
Travel - Workshop	7,000	7,000	3,559	3,441
Gas and Oil	7,000	7,000	5,915	1,085
Total Travel	<u>\$39,000</u>	<u>\$39,000</u>	<u>\$29,127</u>	<u>\$9,873</u>
<u>PRINTING AND ADVERTISING</u>				
Public Relations	70,000	74,000	73,914	86
Printing and Publishing	40,000	40,000	31,214	8,786
Events, Sponsorships, and Themes	30,000	30,000	26,758	3,242
Advertising	200	200	0	200
Total Printing and Advertising	<u>\$140,200</u>	<u>\$144,200</u>	<u>\$131,886</u>	<u>\$12,314</u>
<u>INSURANCE</u>				
Building and Contents	15,000	15,000	14,920	80
Liability and Bonds	12,000	12,000	7,227	4,773
Automobile Insurance	5,000	5,000	2,500	2,500
Total Insurance	<u>\$32,000</u>	<u>\$32,000</u>	<u>\$24,647</u>	<u>\$7,353</u>
<u>UTILITIES</u>				
Public Utilities	40,000	43,000	42,908	92
<u>BUILDING AND MAINTENANCE</u>				
Equipment Repairs and Maintenance	6,000	6,000	2,485	3,515
Equipment Service Contracts	90,600	90,600	44,675	45,925
Equipment Lease	15,000	15,000	11,164	3,836
Building Repairs and Maintenance	15,000	15,000	12,257	2,743
Building Service Contracts	77,000	77,000	61,525	15,475
Building Supplies	6,000	6,000	3,651	2,349
Computer Parts and Supplies	2,500	5,900	5,821	79
Total Building and Maintenance	<u>\$212,100</u>	<u>\$215,500</u>	<u>\$141,578</u>	<u>\$73,922</u>

GENESEE DISTRICT LIBRARY
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<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	\$1,700	\$1,691	\$9
Refunds	4,000	4,500	4,495	5
Memberships	3,600	3,900	3,889	11
Director's Business Expenditure	0	200	171	29
Contributed Facilities	760,000	760,000	747,945	12,055
Depreciation and Disposal	250,000	250,000	0	250,000
Gift and Grant Expenditures	10,000	390,000	275,177	114,823
Transfers	0	0	237,500	(237,500)
Board Expenditure	1,000	1,000	813	187
Total Miscellaneous	<u>\$1,030,100</u>	<u>\$1,411,300</u>	<u>\$1,271,681</u>	<u>\$139,619</u>
 <u>OTHER</u>				
Capital Outlay	<u>75,000</u>	<u>35,000</u>	<u>28,883</u>	<u>6,117</u>
 <u>TOTAL OPERATING EXPENDITURES</u>	 <u>\$8,973,550</u>	 <u>\$8,973,550</u>	 <u>\$8,482,571</u>	 <u>\$490,979</u>



April 15, 2014

To the Finance Committee of
the 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, 2013. 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 January 29, 2014. 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 2013. 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.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

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, 2014.

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

We applied certain limited procedures to the Budgetary Comparison Schedule – Operating Fund, and the GASB Statement 25 and 45 Funding and Contribution Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

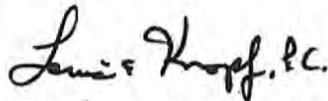
Genesee District Library
Page 3
April 15, 2014

We were engaged to report on the Schedule of Expenditures as Compared to Budget – Operating Fund, which accompany the financial statements, but are not RSI. With respect to this supplementary information, 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.

Restriction on Use

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