

GENESEE DISTRICT LIBRARY

FLINT, MICHIGAN

AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2016

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May 12, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Genesee District Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Genesee District Library as of and for the year ended December 31, 2016, 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, 2016, 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, the major fund budgetary comparison schedule, the schedule of pension contributions, the schedule of changes in the net pension liability and related ratios and other post employment benefit system schedule, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 DISCUSSION AND ANALYSIS

As management of the Genesee District Library, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended December 31, 2016.

Financial Highlights

- * The liabilities of the Library exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$4,463,417 (net position).
- * The Library's total net position decreased by \$2,751,213, primarily due to changes in the net pension liability.

Governmental Activities

- * The operating fund had an increase in fund balance of \$878,976. Total fund balance for the operating fund was \$8,330,766.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Library financially as a whole. The Government-Wide Financial Statements provide information about the activities of the whole Library, presenting both an aggregate view of the Library's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the Library's Operating Fund.

Reporting the Library as a Whole

The Statement of Net Position and Statement of Activities - One of the most important questions asked about the Library's finances is, "Is the Library better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Library's financial statements, report information about the Library as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the Library using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the Library's goal is to provide services to our residents, not to generate profits as private-sector corporations do. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The statement of net position and the statement of activities present information about the following:

Governmental Activities - All of the Library's basic services are considered to be governmental activities. Property taxes, state sources and rental charges finance most of these activities. These two statements report the Library's net position and changes therein. The change in net position provides the reader a tool to assist in determining whether the Library's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base and political conditions at the State Capitol in arriving at their conclusion regarding the overall health of the Library.

The government-wide financial statements can be found on pages 1 - 2 of this report.

GENESEE DISTRICT LIBRARY
MANAGEMENT DISCUSSION AND ANALYSIS

Reporting the Library's Most Significant Funds

Fund Financial Statements - The fund financial statements provide detailed information about the most significant funds - not the Library as a whole. The fund financial statements begin on page 3 and provide detailed information about the most significant funds. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported.

Governmental Funds - All of the Library's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Library's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the Library's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 3 and 4 of this report.

Additional Information - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 5 - 17 of this report.

GENESEE DISTRICT LIBRARY
MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF NET POSITION:

Net Pension Liability

During 2016, the Library adopted two new accounting standards GASB's 68 and 71 related to the accounting and reporting of pensions. These new standards significantly impacted the Library's Statement of Net Position and Statement of Activities as the Library was required to report its share of pension liability of the Genesee County Employees Retirement System (GCERS). The Library reported \$7,970,998 on its Statement of Net Position. The Library also recognized \$3,222,926 on its Statement of Activities as additional retirement expense in the current year beyond its required contribution amount.

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Other Assets	\$8,574,958	\$7,696,617
Capital Assets	<u>69,730</u>	<u>93,447</u>
Total Assets	\$8,644,688	\$7,790,064
<u>Deferred Outflows of Resources</u>	<u>444,968</u>	<u>318,985</u>
Total Assets and Deferred Outflows of Resources	\$9,089,656	\$8,109,049
<u>Liabilities</u>		
Other Liabilities	\$244,192	\$244,827
Long-Term Liabilities	<u>13,308,881</u>	<u>9,576,426</u>
Total Liabilities	\$13,553,073	\$9,821,253
<u>Net Position</u>		
Net Investment in Capital Assets	69,730	93,447
Unrestricted	<u>(4,533,147)</u>	<u>(1,805,651)</u>
<u>TOTAL NET POSITION</u>	<u>(\$4,463,417)</u>	<u>(\$1,712,204)</u>

The above analysis focuses on the net position. The change in net position of the Library's governmental activities is discussed below. The net position differs from fund balances and the reconciliation appears on page 3.

The Library's net position reflects its investment in capital assets, and capital projects (i.e. equipment and furniture, leasehold improvement, and vehicles) less any related debt used to acquire those assets that are still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Library's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The results of this year's operations for the Library as a whole are reported in the statement of activities (see table above), which shows the changes in net position for fiscal year 2016.

GENESEE DISTRICT LIBRARY
MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS:

For the fiscal years ended December 31, 2016 and 2015, the Library wide results of operations were:

	<u>GOVERNMENTAL</u>	
	<u>ACTIVITIES</u>	
	<u>2016</u>	<u>2015</u>
Revenues:		
Property Taxes	\$7,685,369	\$7,498,955
Penal Fines	328,731	360,451
State Aid	266,566	236,895
Investment Earnings	7,017	6,646
Grants, Contributions, Legacies, and Bequests	54,867	171,512
Library Fines, Fees and Other	261,998	392,669
Mid Eastern Michigan Library Cooperative	2,000	4,000
Universal Service Fund - BEAR	142,220	0
Use of Contributed Facilities	<u>747,945</u>	<u>747,945</u>
Total Revenues	\$9,496,713	\$9,419,073
Functions/Program Expenses:		
General Administration	<u>12,247,926</u>	<u>9,182,935</u>
Total Expenses	<u>\$12,247,926</u>	<u>\$9,182,935</u>
<u>Increase (Decrease) in Net Position</u>	<u>(\$2,751,213)</u>	<u>\$236,138</u>

The Library's net position decreased by \$2,751,213 during the current fiscal year. The increase in net position differs from the change in fund balances and the reconciliation appears on page 4.

The net cost shows the financial burden that was placed on the State and the Library's taxpayers by each of these functions. Since property taxes for operations and state sources constitute the vast majority of the Library's operating revenue sources, the Board of Trustees must annually evaluate the needs of the Library and balance those needs with State-prescribed available unrestricted resources.

Budgeting and Operating Highlights

The Library's budgets are prepared according to Michigan law. The budgeted fund is the Operating Fund.

During the fiscal year ended December 31, 2016, the Library amended the budget of the Operating Fund one time. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. A schedule showing the Library's Operating Fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Operating Fund

The operating fund actual revenue was \$9,496,713. The amount is less than the final budget estimate of \$9,556,000. The variance was \$59,287, or less than 1%.

The actual expenditures of the operating fund was \$8,617,737, which is below the final budget estimate of \$8,885,350. The variance was \$267,613, or 3%.

The operating fund had total revenues of \$9,496,713 and total expenditures of \$8,617,737 with a net increase in fund balance of \$878,976 and an ending fund balance of \$8,330,766.

GENESEE DISTRICT LIBRARY
MANAGEMENT DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

A. Capital Assets

The Library's investment in capital assets for its governmental activities as of December 31, 2016 amounted to \$69,730 (net of accumulated depreciation). This investment in capital assets included equipment and furniture, leasehold improvements, and vehicles. Capital assets at fiscal year-end included the following:

	Capital Assets (Net of Depreciation)	
	2016	2015
Equipment and Furniture	\$9,175	\$13,179
Leasehold Improvement	60,555	75,191
Vehicles	0	5,077
<u>Total capital assets, net</u>	\$69,730	\$93,447

Additional information on the Library's capital assets can be found in Note 4.

B. Debt

At the end of the current fiscal year, the Library had total long-term debt outstanding of \$137,000. Long-term debt at fiscal year-end included the following:

	Governmental	
	2016	2015
Compensated Absences	\$137,000	\$145,000

Additional information on the Library's long-term debt can be found in Note 5.

Economic Factors and Next Year's Budget

* The Library's 2017 adopted budget is as follows:

	Operating Fund
<u>REVENUE</u>	\$9,190,000
<u>EXPENDITURES</u>	9,171,765
<u>NET UNDER BUDGET</u>	\$18,235

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director at the Library, G-4195 W. Pasadena Avenue, Flint, MI 48504.

BASIC FINANCIAL STATEMENTS

GENESEE DISTRICT LIBRARY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$8,138,767
Accounts Receivable	327,083
Prepaid Expenses	109,108
Capital Assets	1,251,674
Less: Accumulated Depreciation	(1,181,944)
<u>TOTAL ASSETS</u>	\$8,644,688
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Pensions	444,968
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	\$9,089,656
 <u>LIABILITIES</u>	
Accounts Payable	\$34,894
Accrued and Other Liabilities	68,113
Contribution Advances	141,185
Compensated Absences	137,000
Net OPEB Obligation	5,200,883
Net Pension Liability	7,970,998
<u>TOTAL LIABILITIES</u>	\$13,553,073
 <u>NET POSITION</u>	
Net investment in capital assets	69,730
Unrestricted (Deficit)	(4,533,147)
<u>TOTAL NET POSITION</u>	(\$4,463,417)

See notes to the financial statements.

GENESEE DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<u>FUNCTIONS/PROGRAMS</u>				
Governmental Activities:				
General Administration	\$12,247,926	\$261,998	\$56,867	(\$11,929,061)
Total Governmental Activities	<u>\$12,247,926</u>	<u>\$261,998</u>	<u>\$56,867</u>	<u>(\$11,929,061)</u>
General Revenues:				
Property Taxes				7,685,369
Penal Fines				328,731
State Aid				266,566
Investment Earnings				7,017
Universal Service Fund - BEAR				142,220
Use of Contributed Facilities				747,945
Total General Revenues				<u>\$9,177,848</u>
Change in Net Position				<u>(\$2,751,213)</u>
Net Position - Beginning of Year				<u>(1,712,204)</u>
Net Position - End of Year				<u><u>(\$4,463,417)</u></u>

See notes to the financial statements.

GENESEE DISTRICT LIBRARY
BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2016
DECEMBER 31, 2016

	<u>Operating Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$8,138,767
Accounts Receivable	327,083
Prepaid Expenses	<u>109,108</u>
<u>TOTAL ASSETS</u>	<u>\$8,574,958</u>
<u>LIABILITIES</u>	
Accounts Payable	\$34,894
Accrued and Other Liabilities	68,113
Contribution Advances	<u>141,185</u>
Total Liabilities	<u>\$244,192</u>
<u>FUND BALANCES</u>	
Non-Spendable	109,108
Committed - Tax Appeals	38,893
Assigned	1,109,373
Unassigned	<u>7,073,392</u>
Total Fund Balances	<u>\$8,330,766</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$8,574,958</u>

See notes to the financial statements.

GENESEE DISTRICT LIBRARY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Total Governmental Fund Balances:		\$8,330,766
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred Outflows of Resources - Related to Pensions		444,968
Capital assets used in governmental activities are not financial resource and therefore are not reported as assets in governmental funds		
Capital Assets	\$1,251,674	
Less: Accumulated Depreciation	<u>(1,181,944)</u>	
Capital Assets, Net of Accumulated Depreciation		69,730
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Compensated Absences		(137,000)
Net OPEB Obligation		(5,200,883)
Net Pension Liability		<u>(7,970,998)</u>
<u>TOTAL NET POSITION -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u><u>(\$4,463,417)</u></u>

GENESEE DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016
YEAR ENDED DECEMBER 31, 2016

	<u>Operating Fund</u>
<u>REVENUES</u>	
Property Taxes	\$7,685,369
Penal Fines	328,731
State Aid	266,566
Investment Earnings	7,017
Grants, Contributions, Legacies, and Bequests	54,867
Library Fines, Fees and Other	261,998
Mid Eastern Michigan Library Cooperative	2,000
Universal Service Fund - BEAR	142,220
Use of Contributed Facilities	747,945
Total Revenues	<u>\$9,496,713</u>
<u>EXPENDITURES</u>	<u>8,617,737</u>
<u>NET CHANGE IN FUND BALANCE</u>	\$878,976
<u>FUND BALANCE - BEGINNING</u>	<u>7,451,790</u>
<u>FUND BALANCE - ENDING</u>	<u><u>\$8,330,766</u></u>

See notes to financial statements.

GENESEE DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Total net change in fund balances - governmental funds		\$878,976
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated		
Capital Outlay	0	
Depreciation Expense	(23,721)	
Total	(23,721)	(23,721)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
OPEB Related Items		(391,542)
Accrued Vacation and Sick Pay		8,000
Pension Related Items		(3,222,926)
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>		(\$2,751,213)

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Library. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B) REPORTING ENTITY

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 significant operational financial relationships that determine which of the governmental organizations are part of the Library's reporting entity and which organizations are legally separate component units of the Library. Based on application of the criteria, the Library does not contain component units.

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 Library is funded primarily through a tax levy, state aid, fines, and fees. Revenue is used to operate and staff the Library.

The Library is governed by an appointed eight member board of which four appointees are from Genesee County Board of Commissioners and four appointees are from Grand Blanc Township.

C) BASIS OF PRESENTATION

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government.

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Library's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Library, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Library.

Fund Financial Statements – Fund financial statements report detailed information about the Library. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Library has no nonmajor funds.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available, means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Library, available means expected to be received within approximately sixty days of the fiscal year-end.

Nonexchange transactions, in which the Library receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Library must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Library on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Unearned Revenue – Unearned Revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

E) 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.

F) PREPAID EXPENSES

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

G) 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.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS (Continued)

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.

H) 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.

I) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Library only has one item that qualifies for reporting in this category. It is the pension contributions reported in the government-wide statement of net position. A deferred outflow is recognized for pension contributions made after the plans measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library does not have any of this type of item.

J) OTHER POSTEMPLOYMENT BENEFIT COSTS (OPEB)

The Library offers retiree healthcare benefits to retirees. The Library receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions made. For the government-wide statement, the Library reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any. The obligation is liquidated from the Operating Fund.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K) FUND BALANCE

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.

L) NET POSITION

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) REVENUES

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.

N) 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.

O) 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.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P) BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the Library's departments head and finance department. The budget is presented to the Library board for adoption. Subsequent amendments are approved by the Library board.

The budget has been adopted for the Library's activity in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as prepared by the Library board is included in the subtotals for total revenue and total expenditures. The remaining budget-to-actual detail is used to provide additional analysis for management purposes.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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, 2016: Chase Bank, First Merit Bank, Security Federal Credit Union, ELGA Credit Union, Dort Federal Credit Union, Chemical Bank, Huntington National Bank, Financial Plus Federal Credit Union and Talmer Bank.

At December 31, 2016, the carrying amount of the Library's deposits, on the books was \$8,138,767. The bank balance with financial institutions classified as to risk was as follows:

Insured (FDIC or FSLIC)	\$ 1,566,956
Uninsured – Uncollateralized	<u>6,775,876</u>
<u>TOTAL</u>	<u>\$ 8,342,832</u>

A significant portion of the uninsured balance is deposited in Chase Bank.

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

4) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance Beginning	Additions	Deductions	Balance Ending
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment and Furniture	\$912,555	\$0	\$80,568	\$831,987
Leasehold Improvement	394,305	0	0	394,305
Vehicles	25,382	0	0	25,382
Totals at Historical Cost	\$1,332,242	\$0	\$80,568	\$1,251,674
Less: Accumulated Depreciation	(1,238,791)	(23,721)	(80,568)	(1,181,944)
 <u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	\$93,451	(\$23,721)	\$0	\$69,730

Depreciation expense was \$23,721 for the year ended December 31, 2016.

5) LONG-TERM DEBT

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

	Balance Beginning	Additions	Deductions	Balance Ending
Governmental Activities:				
Compensated Absences	\$145,000	\$0	\$8,000	\$137,000

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.

6) CONTRIBUTION ADVANCES

Changes in contribution advances are summarized below:

Balance – Beginning	\$137,483
Additions	
Contributions, Legacies and Bequests	33,569
Total	\$171,052
Deductions - Funds Expended During the Year	(29,867)
 <u>BALANCE – ENDING</u>	 \$141,185

7) ASSIGNED FUND BALANCE

Assigned fund balance as of December 31, 2016 is as follows:

Equipment Fund	\$359,372
Election Fund	1
Retiree Health Care Premium Fund	750,000
 <u>TOTAL</u>	 \$1,109,373

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

8) LEASE

The Library leases various pieces of branch and office equipment. The Library has a lease with Genesee Valley Partners, LP. The branch is located within Genesee Valley Center, Flint, MI. On December 17, 2014, the Library amended the lease with Genesee Valley Partners, L.P. that changed the monthly lease payments to \$2,662 beginning on January 1, 2015 and continuing through December 31, 2017. The Library has a lease with Xerox for 17 copiers for 60 months beginning in May 2014 with minimum monthly lease payments of \$123. The Library has another lease with Xerox for 2 copiers for 60 months beginning in June 2015 with minimum monthly lease payments of \$349.

The future obligations are as follows:

2017	61,233
2018	29,290
2019	12,553
2020	<u>2,093</u>
<u>TOTAL</u>	<u>\$105,169</u>

9) UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB 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 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, was issued by the GASB in August 2015 and will be effective for the District's 2017 year end. The Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements in the footnotes of the financial statements:

- * Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated. provisions for recapturing abated taxes, and the types of commitments made by tax abatements recipients.
- * The gross dollar amount of taxes abated during the period
- * Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

This Statement will improve the user's ability on how tax abatements affect the reporting unit's financial positions and results of operations, including their ability to raise resources in the future.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

10) DEFINED BENEFIT PENSION PLAN

Plan Description and Provisions

The Library participates in an agent-multiple employer defined benefit pension plan administered by the Genesee County Employees Retirement System of Michigan (GCERS), which covers all employees of the Library hired before January 1, 2013. GCERS was organized pursuant to Section 12a of Act 156, State of Michigan Public Acts of 1851 (MSA 5.33(a); MCLA 46.12a) as amended. GCERS was established by ordinance in 1946, beginning with general County employees and the County Road Commission. Genesee County Water and Waste Services joined the system in 1956, Genesee County Mental Health joined in 1966, the City of Mt. Morris in 1969, and the Genesee District Library in 1980. The GCERS is regulated under the Genesee County Employees' Retirement System Ordinance, the sections of which have been approved by the State of Michigan Pension Commission and is administered by a nine-member retirement board. All new-hire general County and Community Mental Health employees may only join the defined contribution plan. GCERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained in writing to GCERS at 1101 Beach Street, Flint, MI 48502.

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in GCERS.

The GCERS plan covers union and nonunion Library employees.

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 2.0% of their gross compensation for each payroll period to the Retirement System. Employees hired prior to January 1, 1998, shall be required to contribute 1.5% 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.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 3 percent, noncompounding.

Benefit terms, within the parameters established by GCERS, are generally established and amended by the authority of the Board of Trustees, generally after negotiations of these terms with the affected unions.

Employees Covered by Benefit Terms

At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	11
Active employees	42
Total employees covered by GCERS	<u>106</u>

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

10) DEFINED BENEFIT PENSION PLAN (Continued)

Contributions

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

For the year ended December 31, 2016, the average active employee contribution rate was 1.88 percent of annual pay and the Library's average contribution rate was 19.53 percent of annual payroll.

Net Pension Liability

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

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

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2015	\$18,144,129	\$13,486,765	\$4,657,364
Service cost	239,064	0	239,064
Interest	1,214,284	0	1,214,284
Differences between expected and actual experience	(704,649)	0	(704,649)
TPL assumption changes	3,112,053	0	3,112,053
Contributions - Employer	0	357,169	(357,169)
Contributions - Employee	0	43,539	(43,539)
Net investment income	0	160,742	(160,742)
Benefit payments, including refunds	(1,228,359)	(1,228,359)	0
Administrative expenses	0	(14,332)	14,332
Net changes	<u>2,632,393</u>	<u>(681,241)</u>	<u>3,313,634</u>
Balance at December 31, 2016	<u>\$20,776,522</u>	<u>\$12,805,524</u>	<u>\$7,970,998</u>

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

10) DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended December 31, 2016, the Library recognized pension expense of \$3,222,926. At December 31, 2016, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on net pension plan investments	\$0	\$0
Employer contributions to the plan subsequent to the measurement date	444,968	0
Total	<u>\$444,968</u>	<u>\$0</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date of \$444,968, which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Actuarial Assumptions

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

Inflation	3.00%	
Salary increases	3.00%	Across the board increases along with merit and longevity increase that range from .17% up to 4.03%
	7.03%	
Investment rate of return	8.00%	Net of pension plan investment expense, including inflation

Mortality rates were based on the RP 2000 Combined Healthy Mortality Table.

Discount Rate

The discount rate used to measure the total pension liability was 5.56 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

10) DEFINED BENEFIT PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real interest rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The nominal long-term expected rate of return for the plan as a whole was 7.0 percent. The target allocation by class is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Equities Active or Passive	32%
Non-U.S. Equities	18%
Domestic Fixed Income	20%
Commercial Real Estate	20%
Alternative Investment Hedge Funds	10%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Library, calculated using the discount rate of 5.56 percent, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.56 percent) or one percentage point higher (6.56 percent) than the current rate:

	<u>1% Decrease (4.56%)</u>	<u>Current Discount Rate (5.56%)</u>	<u>1% Increase (6.56%)</u>
Net Pension Liability of the Library	\$10,138,329	\$7,970,998	\$6,150,079

Pension Plan Fiduciary Net Position

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

11) 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. Employer and employee contributions to the Plan for the year ended December 31, 2016 totaled \$24,780 and \$34,799 respectively.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

12) OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

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.

Funding Progress

For the year ended December 31, 2016, the Library has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of January 1, 2016. The Library's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the Library, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Nos. 43 and 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Library's net OPEB obligation to the plan:

Annual Required Contribution	\$1,035,524
Interest on Net OPEB Obligation	192,374
Adjustment to Annual Required Contribution	<u>(481,625)</u>
Annual OPEB Cost (Expense)	\$746,273
Contributions Made	<u>(354,727)</u>
Increase in Net OPEB Obligation	\$391,546
 Net OPEB Obligation - Beginning of Year	 <u>4,809,337</u>
 Net OPEB Obligation - End of Year	 <u><u>\$5,200,883</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	Percent Contributed	Net OPEB Obligation
12/31/2016	\$746,273	\$354,727	47.5%	\$5,200,883
12/31/2015	826,206	429,738	52.0%	4,809,337
12/31/2014	813,151	417,881	51.4%	4,412,869

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (Percent)	Annual Covered Payroll	Ratio of UAAL to Covered Payroll
01/01/2016	0	\$8,109,785	\$8,109,785	0%	\$2,851,701	284.4%
01/01/2013	0	9,581,524	9,581,524	0%	2,872,866	333.5%
01/01/2010	0	11,603,048	11,603,048	0%	3,523,681	329.3%

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

12) OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Actuarial Methods and Assumptions

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. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

The following simplifying assumptions were made:

In the January 1, 2016 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4 percent discount rate and an annual healthcare cost trend rate of 8 percent in year one, decreasing by 0.5 percent annually until year six, then remaining at 5 percent. The UAAL is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period at January 1, 2016 was 13 years.

13) CONTINGENCIES AND COMMITMENTS

The Library is subject to certain claims and litigation. In the opinion of management and their legal counsel, the outcome of such matters will not have a material effect on the financial position of the Library.

14) RISK MANAGEMENT

The Library is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The Library limits its exposure to such claims through its participation in and payments of premiums for insurance coverages. The Library management believes that this provides sufficient coverage to protect the Library from any significant adverse financial impact.

REQUIRED SUPPLEMENTARY
INFORMATION

GENESEE DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES</u>				
Property Taxes	\$7,500,000	\$7,685,000	\$7,685,369	\$369
Penal Fines	335,000	328,700	328,731	31
State Aid	150,000	266,400	266,566	166
Investment Earnings	7,000	7,000	7,017	17
Grants, Contributions, Legacies, and Bequests	15,000	58,500	54,867	(3,633)
Library Fines, Fees and Other	235,000	262,700	261,998	(702)
Mid Eastern Michigan Library Cooperative	0	57,500	2,000	(55,500)
Universal Service Fund - BEAR	70,000	142,200	142,220	20
Use of Contributed Facilities	748,000	748,000	747,945	(55)
Total Revenues	<u>\$9,060,000</u>	<u>\$9,556,000</u>	<u>\$9,496,713</u>	<u>(\$59,287)</u>
<u>EXPENDITURES</u>				
Salaries and Wages	3,418,500	3,470,500	3,428,062	42,438
Fringe Benefits	1,561,600	1,541,600	1,517,286	24,314
Supplies	240,000	190,000	193,832	(3,832)
Books	860,500	864,800	838,532	26,268
Periodicals	45,000	45,000	41,137	3,863
Audio Visual	668,750	684,150	697,746	(13,596)
Contractual Services	331,000	339,100	288,356	50,744
Telephone	250,000	250,000	179,612	70,388
Travel	40,000	40,000	32,838	7,162
Printing	189,000	189,700	194,744	(5,044)
Insurance	34,000	34,000	27,962	6,038
Utilities	55,000	55,000	41,516	13,484
Building & Maintenance	355,000	355,000	299,588	55,412
Miscellaneous	787,000	816,500	824,845	(8,345)
Capital Outlay	50,000	10,000	11,681	(1,681)
Total Expenditures	<u>\$8,885,350</u>	<u>\$8,885,350</u>	<u>\$8,617,737</u>	<u>\$267,613</u>
<u>REVENUES OVER EXPENDITURES</u>	<u>\$174,650</u>	<u>\$670,650</u>	\$878,976	<u>\$208,326</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>7,451,790</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$8,330,766</u>	

GENESEE DISTRICT LIBRARY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Fiscal year ended December 31,	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service Cost	\$239,064	\$264,800
Interest on the total pension liability	1,214,284	1,150,219
Differences between expected and actual experience	(704,649)	454,712
TPL Assumption Changes	3,147,327	0
Benefit payments and refunds	<u>(1,228,359)</u>	<u>(1,207,118)</u>
Net change in total pension liability	\$2,667,667	\$662,613
Total Pension Liability - Beginning of year	<u>18,108,855</u>	<u>17,446,242</u>
Total Pension Liability - End of year	<u><u>\$20,776,522</u></u>	<u><u>\$18,108,855</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	\$357,169	\$326,840
Contributions - Employee	43,539	39,082
Net investment income	160,742	903,496
Benefit payments, including refunds	(1,228,359)	(1,207,118)
Administrative expenses	<u>(14,332)</u>	<u>(14,655)</u>
Net change in plan fiduciary net position	(\$681,241)	\$47,645
Plan Fiduciary Net Position - Beginning of year	<u>13,486,765</u>	<u>13,439,121</u>
Plan Fiduciary Net Position - End of year	<u><u>\$12,805,524</u></u>	<u><u>\$13,486,766</u></u>
Net Pension Liability	<u><u>\$7,970,998</u></u>	<u><u>\$4,622,089</u></u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	61.63%	74.48%
Covered Employee Payroll	\$2,064,040	\$2,423,484
Net Pension Liability as a Percent of Covered Employee Payroll	386.18%	190.72%

GENESEE DISTRICT LIBRARY
SCHEDULE OF PENSION CONTRIBUTIONS

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
12/31/2014	\$326,840	\$326,840	\$0	\$2,423,484	13.49%
12/31/2015	357,169	357,169	0	2,064,040	17.30%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	25 years, open
Asset valuation period	4-year smoothed market
Inflation	3.00 percent
Salary increases	3.0 - 7.03 percent, including inflation
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Retirement age	60
Mortality	RP 2000 Combined Healthy Mortality Table
Other Information	

Pension Schedules (Schedule of Changes in the net Pension Liability and Related Ratios and Schedule of Pension Contributions) are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

GENESEE DISTRICT LIBRARY
OPEB SYSTEM SCHEDULE

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%	3,523,681	329.3%
12-31-13	0	9,581,524	9,581,524	0.0%	2,872,866	333.5%
12-31-16	0	8,109,785	8,109,785	0.0%	2,851,701	284.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	% Contributed
12-31-14	813,151	417,881	51.4%
12-31-15	826,206	429,738	52.0%
12-31-16	746,273	354,727	47.5%

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2016, the latest actuarial valuation, follows:

Amortization method	Level dollar, closed
Amortization period	13 years
Asset valuation method	N/A - plan is not pre-funded
Actuarial assumptions:	
Discount rate	4.00%
Projected salary increases	0.0% for three years, 3.0% thereafter
Medical inflation rate	Pre-65: 8% in 2017 graded down 0.5% per year to an ultimate rate of 5.0% Post-65: 5% in all years
Dental and Vision inflation rate	5.0% based on market expectations for increases in the cost of medical care.
Cost of living adjustments	None

GENESEE DISTRICT LIBRARY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Operating Fund and all special revenue funds.

The annual budget is prepared by the Library's department heads and finance department. The budget is presented to the Board of Trustees for adoption no later than the December meeting each year. Subsequent amendments are approved by the Board of Trustees. The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at December 31, 2016 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Trustees) for the Operating Fund is presented as required supplemental information.

ADDITIONAL SUPPLEMENTARY
INFORMATION

GENESEE DISTRICT LIBRARY
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<u>SALARIES</u>				
Salary - Administration	\$500,000	\$500,000	\$479,697	\$20,303
Salary - Full Time	2,350,000	2,400,000	2,390,092	9,908
Salary - Part Time	68,000	48,000	42,824	5,176
Salary - Overtime	60,000	60,000	53,393	6,607
Salary - Shelves	397,000	419,000	418,556	444
Longevity	43,500	43,500	43,500	0
Total Salaries	<u>\$3,418,500</u>	<u>\$3,470,500</u>	<u>\$3,428,062</u>	<u>\$42,438</u>
<u>FRINGE BENEFITS</u>				
Social Security	266,500	266,500	261,284	5,216
Retirement	483,500	473,500	469,773	3,727
Medical Insurance	616,000	602,000	600,980	1,020
Dental Insurance	73,000	73,000	69,754	3,246
Life and Disability	46,000	46,000	42,559	3,441
Worker's Compensation	25,000	15,000	13,788	1,212
Unemployment	5,000	5,000	421	4,579
Vision Insurance	9,400	9,400	9,093	307
Educational Reimbursement	6,000	6,000	4,800	1,200
Annuity	31,200	45,200	44,834	366
Total Fringe Benefits	<u>\$1,561,600</u>	<u>\$1,541,600</u>	<u>\$1,517,286</u>	<u>\$24,314</u>
<u>SUPPLIES</u>				
Office Supplies	5,000	5,000	753	4,247
Operating Expenditures	200,000	150,000	168,152	(18,152)
Postage and Shipping	35,000	35,000	24,927	10,073
Total Supplies	<u>\$240,000</u>	<u>\$190,000</u>	<u>\$193,832</u>	<u>(\$3,832)</u>
<u>BOOKS</u>				
Books - e-Books	23,000	23,000	21,095	1,905
Books - Paperbacks	33,650	33,650	30,618	3,032
Books - Reference	151,525	155,825	155,752	73
Books - System	652,325	652,325	631,067	21,258
Total Books	<u>\$860,500</u>	<u>\$864,800</u>	<u>\$838,532</u>	<u>\$26,268</u>
<u>PERIODICALS</u>				
Magazines and Newspapers	45,000	45,000	41,137	3,863
<u>AUDIO - VISUAL</u>				
CD's and Video Media	11,000	11,000	10,747	253
A-V Microfilm - Materials	4,750	4,750	4,670	80
Digital Video Disks	228,000	230,800	232,414	(1,614)
Digital Media	345,000	345,800	345,789	11
Digital Devices	10,000	10,100	22,518	(12,418)
Audio Media	70,000	81,700	81,608	92
Total Audio - Visual	<u>\$668,750</u>	<u>\$684,150</u>	<u>\$697,746</u>	<u>(\$13,688)</u>

GENESEE DISTRICT LIBRARY
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>CONTRACTUAL SERVICES</u>				
Attorney	\$30,000	\$37,500	\$37,456	\$44
Payroll	16,000	16,000	7,840	8,160
Auditor	20,000	20,000	19,150	850
Consultant	10,000	10,000	3,830	6,170
Programming	93,000	93,600	93,569	31
Software	64,000	64,000	38,875	25,125
Staff Development	8,000	8,000	5,374	2,626
Collection Costs	31,000	31,000	23,921	7,079
O.C.L.C. and M.L.C.	59,000	59,000	58,341	659
Total Contractual Services	<u>\$331,000</u>	<u>\$339,100</u>	<u>\$288,356</u>	<u>\$50,744</u>
<u>TELEPHONE</u>				
Telephone	250,000	250,000	179,612	70,388
<u>TRAVEL</u>				
Travel - Regular	25,000	25,000	23,871	1,129
Travel - Workshop	7,000	7,000	6,128	872
Gas and Oil	8,000	8,000	2,839	5,161
Total Travel	<u>\$40,000</u>	<u>\$40,000</u>	<u>\$32,838</u>	<u>\$7,162</u>
<u>PRINTING AND ADVERTISING</u>				
Public Relations	105,000	105,000	108,318	(3,318)
Advertising / Recruitment	0	0	0	0
Printing and Publishing	46,000	46,000	45,844	156
Events, Sponsorships, and Themes	38,000	38,700	40,582	(1,882)
Total Printing and Advertising	<u>\$189,000</u>	<u>\$189,700</u>	<u>\$194,744</u>	<u>(\$5,044)</u>
<u>INSURANCE</u>				
Building and Contents	18,000	18,000	17,192	808
Liability and Bonds	10,000	10,000	7,980	2,020
Automobile Insurance	6,000	6,000	2,790	3,210
Total Insurance	<u>\$34,000</u>	<u>\$34,000</u>	<u>\$27,962</u>	<u>\$6,038</u>
<u>UTILITIES</u>				
Public Utilities	55,000	55,000	41,516	13,484
<u>BUILDING AND MAINTENANCE</u>				
Equipment Repairs and Maintenance	10,500	10,500	2,362	8,138
Equipment Service Contracts	100,000	100,000	94,862	5,138
Equipment Lease	35,000	35,000	34,277	723
Building Repairs and Maintenance	17,000	17,000	8,665	8,335
Building Service Contracts	80,000	80,000	71,566	8,434
Building Supplies	7,500	7,500	4,030	3,470
Computer Parts and Supplies	5,000	5,000	4,305	695
Computers	100,000	100,000	79,521	20,479
Total Building and Maintenance	<u>\$355,000</u>	<u>\$355,000</u>	<u>\$299,588</u>	<u>\$34,933</u>

GENESEE DISTRICT LIBRARY
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>MISCELLANEOUS</u>				
Rent	\$2,000	\$2,000	\$1,704	\$296
Refunds	5,000	5,000	3,085	1,915
Memberships	5,000	6,200	6,452	(252)
Director's Business Expenditure	1,000	1,000	233	767
Contributed Facilities	748,000	748,000	747,945	55
Depreciation and Disposal	5,000	5,000	0	5,000
Gift and Grant Expenditures	20,000	48,300	64,731	(16,431)
Transfers	0	0	0	0
Board Expenditure	1,000	1,000	695	305
Total Miscellaneous	<u>\$787,000</u>	<u>\$816,500</u>	<u>\$824,845</u>	<u>(\$8,345)</u>
<u>OTHER</u>				
Capital Outlay	50,000	10,000	11,681	(1,681)
Total Other	<u>\$50,000</u>	<u>\$10,000</u>	<u>\$11,681</u>	<u>(\$1,681)</u>
<u>TOTAL OPERATING EXPENDITURES</u>	<u>\$8,885,350</u>	<u>\$8,885,350</u>	<u>\$8,617,737</u>	<u>\$247,042</u>