
Flint Public Library

**Financial Report
with Supplemental Information
June 30, 2020**

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Independent Auditor's Report

To the Board of Trustees
Flint Public Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the discretely presented component unit of the Flint Public Library (the "Library") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Flint Public Library's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, each major fund, and the discretely presented component unit of the Flint Public Library as of June 30, 2020 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Flint Public Library

Other Matter

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plante & Moran, PLLC

October 8, 2020

This section of the Flint Public Library's (the "Library") annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the Library's financial statements, which follow this section.

Financial Highlights

The highlights of the financial statements as presented are as follows:

- The Library's primary source of revenue is from property taxes. Total tax collections in 2020 were \$2,857,957. This represents approximately 55 percent of total operating revenue.
- The Library Board put forth a millage renewal request to the City of Flint voters in November 2019 to renew its operating millage of 2.0 mills that expires in December 2021. The millage renewal request passed with 70% support, extending the millage to 2031. The Library levies the maximum millage of 2.0 mills in perpetuity and 2.0 mills renewable. The 4.0 mills for operations is the maximum allowed per law in the State of Michigan.
- The Library received the fourth year of stabilization authority receipts from the State of Michigan. The total receipts were \$163,368, which was an increase of \$1,005 from the payment received in the prior year. This payment represents 3% percent of operating revenue.
- The Library Board put forth a proposal to the City of Flint voters in November 2019 to allow the Library to assess a debt millage and sell general government obligation bonds to provide funding for a renovation of the building at 1026 E. Kearsley Street. The millage proposal passed with 70% support.
- Charles Stewart Mott Foundation awarded a \$1,200,000 and a second grant of \$13,800,000 upon the passage of the debt millage by the voters for library renovations and upgrades.
- The Ruth Mott Foundation pledged \$1,000,000 towards the library renovation payable over a four-year term.
- The Whiting Foundation pledged \$400,000 and the Community Foundation of Greater Flint provided \$50,000 towards the library renovation.
- The Library continued its annual development campaign raising \$127,179 in annual gifts.
- The Foundation for Flint, a supporting organization of the Community Foundation of Greater Flint, awarded a grant in 2016 representing a three-year commitment (later extended to four years) to support Flint Kids Read implementing the Dolly Parton Imagination Library. Flint Kids Read enables children living in Flint to receive free books every month delivered to their home through regular mail. The Dolly Parton Imagination Library book-by-mail program selects age-appropriate books for children from birth to age five, and sends them out each month to children who enroll through the Library. The Flint Kids Read project is one of the cornerstones of the early literacy strategic goal for the Library. The Library allocated \$139,631 for use in 2020. The Library has allocated \$47,353 for use in 2021 and has received approval for an additional grant to continue the program.

Management's Discussion and Analysis (Continued)

- Personnel costs are the largest overall expenditure of the Library. For 2020, salaries, fringe benefits, and taxes totaled \$2,235,358, representing approximately 47 percent of the Library's operating expenditures.
- Library materials (e.g., books, CDs, DVDs, electronic databases, etc.) of \$273,208 are one of the largest overall expenditures of the Library. This represents approximately 6 percent of the Library's operating expenditures.
- Total expenditures for the entire year before depreciation were \$4,737,728.
- The Library's net position increased by \$15,873,383 during the year ended June 30, 2020. Depreciation expense was \$501,170. The increase in net position is the result of the receipt of grants awarded for the renovation of the library building. Funds from the grant awards not expended during FY 2020 were assigned to FY 2021 to complete the projects. The current year recording of pension liability expenses as required by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) is included in the increased net position. The current year recording of OPEB liability expenses as required by the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is included in the increased net position.

Government-wide Statements The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Library's net position and how it has changed. Net position - the difference between the Library's assets and liabilities - is one way to measure the Library's financial health or position.

- Over time, increases or decreases in the Library's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Library, you need to consider additional nonfinancial factors such as changes in the Library's property tax base.

The implementation of GASB 68 is accounted for in the government-wide statements. The net effect to the government-wide statements was a net pension liability of \$2,031,165. There are deferred outflows of \$674,098, deferred inflows of \$(283,783), net pension asset of \$108,034, and net pension liability of \$(2,139,199).

The implementation of GASB 75 is accounted for in the government-wide statements. The net effect to the government-wide statements was a net OPEB (other post-employment benefit) liability of \$385,780.

Overview of the Financial Statements

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information.

Management’s Discussion and Analysis (Continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that presents a schedule of the operating budget as originally adopted, the amended budget, and compares the amended budget with actual results. This information will be utilized by the Library’s administration to help forecast future budgetary revenue and expenditures.

Governmental Activities

Financial Analysis of the Library as a Whole

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the Library, assets exceeded liabilities by approximately \$20.4 million at the close of the most recent fiscal year (see table below).

	Governmental Activities				Percent Change
	2018	2019	2020	Change	
Assets					
Other assets	\$ 4,387,796	\$ 4,585,753	\$ 32,116,463	\$ 27,530,710	600%
Capital assets	<u>2,797,419</u>	<u>2,642,009</u>	<u>4,166,528</u>	<u>1,524,519</u>	58%
Total assets	7,185,215	7,227,762	36,282,991	29,055,229	402%
Deferred Outflows of Resources	487,712	899,952	764,127	(135,825)	-15%
Liabilities					
Current liabilities	275,382	296,486	676,376	\$ 379,890	128%
Long-term liabilities	<u>2,622,617</u>	<u>2,661,363</u>	<u>15,445,539</u>	<u>\$ 12,784,176</u>	480%
Total liabilities	2,897,999	2,957,849	16,121,915	13,164,066	445%
Deferred Inflows of Resources	<u>524,298</u>	<u>638,069</u>	<u>520,024</u>	<u>\$ (118,045)</u>	-19%
Net Position					
Net investment in capital assets	2,797,419	2,642,009	4,020,437	\$ 1,378,428	52%
Restricted	538,343	561,254	14,878,519	\$ 14,317,265	2551%
Unrestricted	<u>914,868</u>	<u>1,328,533</u>	<u>1,506,223</u>	<u>\$ 177,690</u>	13%
Total net position	<u>\$ 4,250,630</u>	<u>\$ 4,531,796</u>	<u>\$ 20,405,179</u>	<u>\$ 15,873,383</u>	350%

Management’s Discussion and Analysis (Continued)

	Governmental Activities				Percent
	2018	2019	2020	Change	Change
Revenue					
Property taxes	\$ 2,846,539	\$ 2,847,243	\$ 2,857,957	\$ 10,714	0%
Other revenue	1,336,980	1,049,417	17,785,001	16,735,584	1595%
Total revenue	4,183,519	3,896,660	20,642,958	16,746,298	430%
Program Expenses - General government	3,439,948	3,615,494	4,769,575	1,154,081	32%
Change in Net Position	\$ 743,571	\$ 281,166	\$ 15,873,383	\$ 15,592,217	5546%

Total net position for the Library increased \$15,873,383 during the year ended June 30, 2020.

Total revenue increased by \$16,746,298, or 430%, while expenses increased \$1,154,081, or 32 percent.

Property tax revenue increased by less than 1 percent in 2020. An operating millage proposal was presented to voters in the City of Flint, Michigan in November 2019; the proposal passed with 70 percent approval by those who voted. This confirmed the operating millage for the Library of 4.0 mills, of which 2.0 mills are in perpetuity and 2.0 mills expire in 2031. The Library maintains an allowance of \$133,325 for potential chargebacks on the tax roll to mitigate the effect on current year revenue.

The increase in total revenue is attributable to the increase of grant and contribution revenue of \$16,566,722. The increase in grant and contribution revenue is attributed to grants and donations received related to the renovation of the library building that began in fiscal year 2020.

The increase in expenditures is attributable to expenditures of the renovation of the library building that began in fiscal year 2020.

The Library’s Fund

Our analysis of the Library’s general fund begins on page 15, following the government-wide financial statements. The fund financial statements provide detailed information about the General Fund and the other major funds for 2020, not the Library as a whole.

The General Fund pays for the Library’s services. The most significant expenditures are salaries and wages and employee benefits and taxes. Maintenance and utilities for the building owned by the Library are the next most significant, followed by materials expenses and supplies or program expenses. Property taxes levied on the property owners in the City of Flint, Michigan comprise the most significant revenue source for the General Fund.

The following table on page 7 shows the total governmental fund activity on a modified accrual basis:

Management's Discussion and Analysis (Continued)

Governmental Fund - General Fund					
	2018	2019	2020	Change	Percent Change
Revenue					
Property taxes	\$ 2,846,539	\$ 2,847,243	\$ 2,857,957	\$ 10,714	0%
Universal service fund rebates (E rate)	3,318	16,718	16,021	(697)	-4%
Stabilization authority payments	390,358	162,363	163,368	1,005	100%
Charges for services	35,250	32,243	36,835	4,592	14%
Penal fines	175,562	91,347	86,637	(4,710)	100%
State aid	171,215	168,778	154,848	(13,930)	-8%
Investment income	24,097	45,418	65,272	19,854	44%
Grants and pledges	622,234	530,770	1,781,453	1,250,683	236%
Miscellaneous	3,434	1,780	14,320	12,540	704%
Total revenue	4,272,007	3,896,660	5,176,711	1,280,051	33%
Expenditures					
Current:					
Salaries and wages	1,434,520	1,547,750	1,657,548	109,798	7%
Employee benefits and taxes	637,769	562,615	577,810	15,195	3%
Materials	312,034	264,556	273,208	8,652	3%
Supplies	164,064	182,858	209,672	26,814	15%
Maintenance and utilities	291,833	280,400	283,591	3,191	1%
Professional services	187,910	224,268	160,694	(63,574)	-28%
Rent	4,148	3,987	4,414	427	11%
Communications	80,920	85,968	46,858	(39,110)	-45%
Dues and memberships	7,336	8,052	7,721	(331)	-4%
Printing and publishing	24,833	33,671	16,402	(17,269)	-51%
Library cards and other fees	19,458	15,491	18,833	3,342	22%
Insurance	37,168	38,490	40,841	2,351	6%
Grant and memorial expenditures	613,859	91,093	126,731	35,638	39%
Transportation/Staff development	11,355	14,138	4,263	(9,875)	-70%
Capital outlay	96,332	163,072	1,309,142	1,146,070	703%
Total expenditures	3,923,539	3,516,409	4,737,728	1,221,319	35%
Other Financing Uses					
Transfers out	-	-	(202,918)	(202,918)	100%
Total other financing uses	-	-	(202,918)	(202,918)	100%
Net Change in Fund Balance	348,468	380,251	236,065	(144,186)	-38%
Fund Balance - Beginning of year	3,454,483	3,802,951	4,183,202	380,251	10%
Fund Balance - End of year	<u>\$ 3,802,951</u>	<u>\$ 4,183,202</u>	<u>\$ 4,419,267</u>	<u>\$ 236,065</u>	6%

Capital Assets

At the end of 2020, the Library had capital assets of \$4,166,528, net of accumulated depreciation. The largest portion represents donated building and land of the main branch of \$2,650,000 at fair market value at the date of donation; the current book value including capital improvements net of accumulated depreciation is \$919,151. This net amount complies with methods established by Governmental Accounting Standards Board (GASB) Statement No. 34. The estimated life of the building was reduced to two years as of June 30, 2020 due to the renovation of the building. The current building value will reduce to zero at the end of renovation and the new value will be the total cost of the renovation. This change in life resulted in greater depreciation expense as of June 30, 2020. Expenses for the renovation of the building at 1026 E. Kearsley Street as of June 30, 2020 were \$2,567,647.

Long-term Debt

At year-end, the Library had \$139,007 owed to employees for compensated absences and \$100,544 for terminal leave payments.

The Library issued general obligation unlimited tax library building and site bonds in February 2020 for the renovation of the library building. The balance of the bonds, including the premium paid by the bondholder for the bonds was \$12,681,009. The millage for payment of the bonds will be assessed yearly for 12 years beginning in July 2020. The first interest payment is due in November 2020 and the first principal payment is due in May 2021.

Budgets

The significant changes to the total overall budget between the original and final amended budget were due to the following items:

Revenue

- Property tax revenue increased from previous estimates as a result of fewer adjustments for unpaid property taxes in prior years. The Library proactively maintained an allowance for estimated chargebacks of \$133,325.
- State aid for Libraries as appropriated by the State of Michigan were greater than originally anticipated. The Library planned on a reduction in the appropriation because of the COVID-19 pandemic; this did not occur.
- Penal fine revenue was greater than estimated. The Library planned on a reduction in penal fines because of the COVID-19 pandemic stay at home orders issued in Executive Order 2020-21 et al.; this did not occur.
- Gift and donation revenue was adjusted to include the increase in donations for the library building renovation capital campaign.

Expenditures

Expenditures decreased overall from budgeted amounts due to the closure of the Library on March 1, 2020 to begin packing to move from the building at 1026 E. Kearsley Street to a temporary location in Courtland Center. The packing process was slowed and then stopped completely by the COVID-19 pandemic. The closure of the Library for a twelve-week period except for essential workers led to a decrease in expenses in all operating areas. An increase

Management’s Discussion and Analysis (Continued)

in library and program services was the result of an accrual of vacation time not used during the pandemic. Staff were allowed to carry forward this unused time to FY 21.

Economic Factors and Next Year’s Budget

Property values are projected to increase 8.39 percent in fiscal year 2021 and taxable values are projected to increase 3.86 percent (source: Genesee County Equalization April 22, 2020 report to county commissioners). The full impact of the COVID-19 pandemic on the community has not been determined. The resulting job losses, medical bills and loss in commerce from the pandemic will adversely affect the Flint area for several years.

The management of the Library continues to be committed to operating the Library within the revenue provided. Libraries in Michigan are funded almost completely at the local level through property tax revenue. The decline in the tax base in the City of Flint, Michigan from 2008 to 2016 led the Library to seek out other funding mechanisms as well as private fundraising and the development of a base of donors committed to the Library and its mission and vision.

The unprecedented level of home foreclosures as well tax foreclosures that occurred in previous years appeared to be coming to an end prior to the COVID-19 pandemic. In Michigan, a property that has delinquent taxes may be foreclosed upon after two years; after three years, the property is sold at a tax auction. County treasurers set up a delinquent tax revolving fund in which taxing entities are paid in full for delinquent taxes in the year they are levied. As adjustments are made to the delinquent tax roll due to collections and foreclosures, the adjustments are charged back to the taxing entities. When property values are rising, the adjustments often result in additional revenue for the entities; in years of declining values, the adjustments result in revenue being reduced from the current year tax roll. The Library has proactively maintained a liability for chargebacks of \$133,325 for fiscal year 2021 and reduced anticipated collections by 5 percent based on a methodology for determining reductions for past property tax chargebacks.

Flint Public Library’s adopted general fund operating budget for the fiscal year ending June 30, 2021 as adopted in June 2020 is as follows:

Estimated revenue	\$3,854,040
Estimated expenditures	<u>3,399,581</u>
Net	<u>\$ 454,459</u>

The general fund operating budget, as adopted by the Board of Trustees, used assigned net funds of \$62,703 from grants funds received that overlapped fiscal years. The Library will make an estimated transfer of \$370,460 to the Capital Projects Private fund of the net Development Capital Campaign funds. The following were the highlights of the budget as adopted by the Board of Trustees:

- A slight increase in property tax revenue
- Inclusion of money from the Local Community Stabilization Authority for FY 21, conservatively estimated to decrease 25%
- Continuation of the collaboration with the Flint Cultural Center Corporation for outside maintenance services, custodial services and light maintenance
- Establishing a campaign goal of \$125,000 for the Annual Campaign for operations

Management's Discussion and Analysis (Continued)

- A capital campaign goal for the fiscal year of \$500,000 in donations
- Minimal grants as we concentrate our efforts on fundraising for the capital campaign and maintaining our focus on essential services of the Library
- The addition to unrestricted, uncommitted and unassigned fund balance of \$149,702 at the end of the fiscal year after the transfer to Capital Projects Private.

Our vision is to become Flint's "go to" place to learn for life.

We are continuing to transform this Library into a future-focused, sustainable resource that not only supports, but also leads, Flint's vision for the future. This plan began in FY 2016 and continues into fiscal year 2021. The plan will channel library resources (money and staff) into three key service priority areas to:

- Early childhood literacy
- Digital learning for all ages
- Activating the library building as a community hub

The residents of the City of Flint said yes to our vision and yes to our strategic focus areas with the 70% approval of our operating millage and debt millage in November 2019. This will allow us to move forward with the third strategic area, activating the library building as a community hub. The funding formula for this renovation project includes the following:

- \$12,600,000 in government obligation bonds,
- \$15,000,000 grant from the Charles Stewart Mott Foundation,
- \$1,000,000 grant from the Ruth Mott Foundation,
- \$50,000 grant from the Community Foundation of Greater Flint,
- additional grants from other foundations towards the project,
- donations from individual and family contributors who want to see the library renovation succeed.

The funding for the project has led to the addition of three new funds for the Library to account for the project and donations. Management is committed to full transparency in how the funds are spent and to ensuring the public funds are spent according to the State of Michigan guidelines for the proceeds from publicly issued debt. The Board of Trustees issued the 2020 governmental obligation bonds to be repaid within twelve years to reduce interest cost to the taxpayers. The budgets for the combined capital projects funds and the debt service fund are shown on the next page.

Flint Public Library's adopted combined capital projects funds private and public budget for the fiscal year ending June 30, 2021 as adopted in June 2020 is as follows:

Estimated revenue capital projects public & private	\$ 422,162
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Management's Discussion and Analysis (Continued)

Restricted fund balance used capital projects public & private	\$ 20,153,524
Estimated expenditures capital projects public & private	<u>\$ 20,575,686</u>
Net	<u>\$ 0</u>

Flint Public Library adopted debt service fund 2020 government obligation bonds budget for the fiscal year ending June 30, 2021 as adopted in June 2020 is as follows:

Estimated revenue debt service	\$1,261,260
Estimated expenditures debt service	<u>\$1,177,092</u>
Net	<u>\$ 84,168</u>

Requests for Information

This financial report is designed to provide our citizens and taxpayers with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance at Flint Public Library, 1026 E. Kearsley St., Flint, Michigan 48503.

June 30, 2020

	Primary Government	Discretely Presented
	Governmental	Component Unit
	Activities	Friends of the Flint Public Library
Assets		
Cash and cash equivalents (Note 2)	\$ 1,989,510	\$ 72,811
Investments	2,559,028	-
Receivables:		
Other receivables	721	-
Accrued interest receivable	42,570	-
Grants and pledges receivable	1,117,970	-
Due from other governments	54,397	-
Inventory	4,469	-
Prepaid expenses	135,265	-
Restricted cash and investments:		
Unspent bond proceeds	12,534,918	-
Unspent grant proceeds	13,569,581	-
Net pension asset (Note 9)	108,034	-
Capital assets: (Note 3)		
Assets not subject to depreciation	3,297,647	-
Assets subject to depreciation - Net	868,881	-
Total assets	36,282,991	72,811
Deferred Outflows of Resources - Pension and OPEB (Notes 9 and 10)	764,127	-
Liabilities		
Accounts payable	340,411	-
Due to other governmental units	133,325	-
Accrued liabilities and other	202,640	-
Noncurrent liabilities:		
Due within one year: (Note 4)		
Compensated absences and terminal leave (Note 4)	53,281	-
Current portion of bonds payable (Note 4)	848,688	-
Due in more than one year:		
Compensated absences and terminal leave (Note 4)	186,270	-
Net pension liability (Note 10)	2,139,199	-
Net OPEB obligation (Note 10)	385,780	-
Bonds payable - Net of current portion (Note 4)	11,832,321	-
Total liabilities	16,121,915	-
Deferred Inflows of Resources - Pension and OPEB (Notes 9 and 10)	520,024	-
Net Position		
Net investment in capital assets	4,020,437	-
Restricted for:		
Capital projects	14,495,218	-
Expendable endowment (Note 8)	191,438	-
Nonexpendable endowment (Note 8)	20,000	-
Donor-restricted contributions	5,684	-
Programming	17,283	-
Grants	148,896	-
Unrestricted	1,506,223	72,811
Total net position	\$ 20,405,179	\$ 72,811

Year Ended June 30, 2020

	Program Revenue				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Discretely Presented Component Unit
					Governmental Activities	Friends of the Flint Public Library
Functions/Programs						
Primary government:						
Governmental activities:						
Library operations	\$ 4,681,788	\$ 52,856	\$ 192,228	\$ 16,939,225	\$ 12,502,521	\$ -
Interest on long-term debt	87,787	-	-	-	(87,787)	-
Total primary government	<u>\$ 4,769,575</u>	<u>\$ 52,856</u>	<u>\$ 192,228</u>	<u>\$ 16,939,225</u>	12,414,734	-
Component units - Friends of the Flint Public Library	<u>\$ 170,902</u>	<u>\$ -</u>	<u>\$ 155,177</u>	<u>\$ -</u>	-	(15,725)
General revenue:						
Taxes					2,857,957	-
Stabilization authority payments					163,368	-
Investment income					181,519	418
State aid					154,848	-
Penal fines					86,637	-
Other miscellaneous income					14,320	15,875
Total general revenue					<u>3,458,649</u>	<u>16,293</u>
Change in Net Position					15,873,383	568
Net Position - Beginning of year					<u>4,531,796</u>	<u>72,243</u>
Net Position - End of year					<u>\$ 20,405,179</u>	<u>\$ 72,811</u>

June 30, 2020

	General Fund	Capital Projects Fund - Public	Capital Projects Fund - Private	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,989,510	\$ -	\$ -	\$ 1,989,510
Investments	2,559,028	-	-	2,559,028
Receivables:				
Other receivables	721	-	-	721
Accrued interest receivable	9,223	33,347	-	42,570
Grants and pledges receivable	17,970	-	1,100,000	1,117,970
Due from other governments	54,397	-	-	54,397
Due from other funds	117,325	-	202,918	320,243
Inventory	4,469	-	-	4,469
Prepaid expenses	135,265	-	-	135,265
Restricted cash and investments:				
Unspent bond proceeds	-	12,534,918	-	12,534,918
Unspent grant proceeds	-	-	13,569,581	13,569,581
	<u>\$ 4,887,908</u>	<u>\$ 12,568,265</u>	<u>\$ 14,872,499</u>	<u>\$ 32,328,672</u>
Total assets				
Liabilities				
Accounts payable	\$ 47,108	\$ 67,414	\$ 225,889	\$ 340,411
Due to other governmental units	133,325	-	-	133,325
Due to other funds	202,918	-	117,325	320,243
Accrued liabilities and other	85,290	-	-	85,290
	<u>468,641</u>	<u>67,414</u>	<u>343,214</u>	<u>879,269</u>
Total liabilities				
Deferred Inflows of Resources - Unavailable revenue	-	-	1,100,000	1,100,000
Fund Balances				
Nonspendable:				
Inventory	4,469	-	-	4,469
Prepays	135,265	-	-	135,265
Nonexpendable/Endowment	20,000	-	-	20,000
Restricted:				
Grants	148,896	-	-	148,896
Capital projects	-	12,500,851	13,429,285	25,930,136
Expendable endowment	191,438	-	-	191,438
Programming	17,283	-	-	17,283
Donor-restricted contributions	5,684	-	-	5,684
Assigned - Technology purchases and building repairs	500,000	-	-	500,000
Unassigned	3,396,232	-	-	3,396,232
	<u>4,419,267</u>	<u>12,500,851</u>	<u>13,429,285</u>	<u>30,349,403</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,887,908</u>	<u>\$ 12,568,265</u>	<u>\$ 14,872,499</u>	<u>\$ 32,328,672</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 30,349,403
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	4,166,528
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	1,100,000
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(139,007)
Terminal leave payments are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(100,544)
Bonds payable and unamortized bond premium are not due and payable in the current period and are not reported in the funds	(12,681,009)
Accrued interest is not due and payable in the current period and is not reported in the funds	(117,350)
Deferred outflows of resources related to pension and OPEB (MERS - Note 8 and MPSERS - Note 9)	764,127
Deferred inflows of resources related to pension and OPEB (MERS - Note 8 and MPSERS - Note 9)	(520,024)
Net pension asset is not receivable in the current period and is not reported in the funds	108,034
Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds	<u>(2,524,979)</u>
Net Position of Governmental Activities	<u>\$ 20,405,179</u>

Flint Public Library

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	General Fund	Capital Projects Fund - Public	Capital Projects Fund - Private	Total Governmental Funds
Revenue				
Taxes	\$ 2,857,957	\$ -	\$ -	\$ 2,857,957
Universal service fund rebates (E-rate)	16,021	-	-	16,021
Intergovernmental - Stabilization authority payments	163,368	-	-	163,368
Charges for services	36,835	-	-	36,835
State aid	154,848	-	-	154,848
Penal fines	86,637	-	-	86,637
Investment income	65,272	57,761	58,486	181,519
Other revenue:				
Grants and pledges	1,781,453	-	14,250,000	16,031,453
Miscellaneous revenue	14,320	-	-	14,320
Total revenue	5,176,711	57,761	14,308,486	19,542,958
Expenditures				
Current:				
Library operations:				
Salaries and wages	1,657,548	-	-	1,657,548
Employee benefits and taxes	577,810	-	-	577,810
Materials	273,208	-	-	273,208
Supplies and program expenses	209,672	-	-	209,672
Maintenance and utilities	283,591	-	466,868	750,459
Professional services	160,694	-	-	160,694
Rent	4,414	-	94,744	99,158
Communications	46,858	-	-	46,858
Dues and memberships	7,721	-	-	7,721
Printing and publishing	16,402	-	-	16,402
Library cards and other fees	18,833	2,377	2,342	23,552
Insurance	40,841	-	-	40,841
Grant and memorial expenditures	126,731	-	9,135	135,866
Transportation/Staff development	4,263	-	-	4,263
Capital outlay	1,309,142	265,105	509,030	2,083,277
Total expenditures	4,737,728	267,482	1,082,119	6,087,329
Other Financing Sources (Uses)				
Transfers in	-	-	202,918	202,918
Transfers out	(202,918)	-	-	(202,918)
New debt issued	-	11,735,000	-	11,735,000
Debt premium	-	975,572	-	975,572
Total other financing (uses) sources	(202,918)	12,710,572	202,918	12,710,572
Net Change in Fund Balances	236,065	12,500,851	13,429,285	26,166,201
Fund Balances - Beginning of year	4,183,202	-	-	4,183,202
Fund Balances - End of year	\$ 4,419,267	\$ 12,500,851	\$ 13,429,285	\$ 30,349,403

See notes to financial statements.

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ 26,166,201
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	2,094,433
Depreciation expense	(501,170)
Net book value of assets disposed of	(68,744)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	1,100,000
Issuing debt and the related debt premium provide current financial resources to governmental funds but increase long-term liabilities in the statement of net position	(12,710,572)
Amortization of bond premium is an expense in the statement of activities but not in the governmental funds	29,563
Interest expense is recognized in the government-wide statements as it accrues	(117,350)
Increase in accumulated employee sick and vacation pay and other similar 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	(27,168)
The change in the net pension asset and related deferred inflows and outflows are recorded when incurred in the statement of activities	1,969
The change in the net pension liability and related deferred inflows and outflows are recorded when incurred in the statement of activities	(137,239)
The change in the net OPEB liability and related deferred inflows and outflows are recorded when incurred in the statement of activities	43,460
Change in Net Position of Governmental Activities	\$ 15,873,383

Note 1 - Significant Accounting Policies

Pursuant to Proposal A, effective July 1, 1996, school districts in Michigan are not allowed to levy a millage for public libraries. The Flint Public Library (the "Library") was, therefore, spun off from Flint Community Schools to operate as an independent body with its own board of trustees and its own tax levy. The Library has received voter approval to levy 4 mills. The Library became a separate entity as of July 1, 2000. Transfer of certain assets and liabilities was completed on June 16, 2004 between the Library and Flint Community Schools. The Library is governed by a board of trustees (the "Library Board"), which consists of seven members. The mayor appoints three members, and the Flint Board of Education appoints four members.

The Library's district borders encompass the city of Flint (the "City").

The accompanying financial statements present the Library and its component unit, an entity for which the Library is considered to be financially accountable. The component unit discussed below is included in the Library's reporting entity because of the significance of its operational or financial relationship with the Library. The component unit is discretely presented via a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the Library.

Discretely Presented Component Unit

Friends of the Flint Public Library (FFPL), a not-for-profit organization, is a separate legal entity formed solely to support the Flint Public Library. The Flint Public Library does not appoint the voting majority of FFPL's board. There is no fiscal dependency or financial benefit or burden on the Library. FFPL distributes investment earnings annually to the Library. Requests for financial statements of FFPL can be made to the officers of FFPL.

Accounting and Reporting Principles

The Library follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Library:

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

Basis of Accounting

The Library is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting.

Note 1 - Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The prepaid expenses reported on the balance sheet represent payments made in advance for 2020 expenditures.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period.

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

Fund Accounting

The Library accounts for its various activities in different governmental funds in order to demonstrate accountability for how the Library has spent certain resources; separate funds allow the Library to show the particular expenditures for which specific revenue was used.

The Library reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide library services other than those specifically assigned to another fund.
- The Capital Projects Fund - Public is used to record bond proceeds and the disbursement of resources specifically designated for the renovation of the library building.
- The Capital Projects Fund - Private is used to record grant and other revenue and the disbursement of resources specifically designated for the renovation of the library building.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are stated at fair value. Investments held by others include certificates of deposit with a maturity of greater than 90 days from issuance.

Receivables

All trade and property tax receivables are shown as net of an allowance for uncollectible amounts. The amount of reserve for uncollectible real and personal property taxes was \$133,325 at June 30, 2020.

Pledges Receivable

Pledges of cash and other assets, including unconditional promises to give in the future, are reported as revenue when granted or received, measured at fair value. The Library has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

Note 1 - Significant Accounting Policies (Continued)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The cash and investments of the Capital Projects Fund - Private include amounts to be set aside for the renovation. These amounts have been classified as restricted assets. Unspent bond proceeds of the Capital Projects Fund - Public are required to be set aside for the renovation. These amounts have also been classified as restricted assets. These restricted assets arose from the sale of bonds (bond proceeds) or the donation or pledge of private grants.

Capital Assets

Capital assets are defined by the Library as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The useful life of the building and its improvements has been reduced to two years due to the current renovation of the building.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the Library are depreciated using the straight-line method over the following estimated useful lives:

	<u>Depreciable Life - Years</u>
Computers, software, and accessories	5
Books	10
Vehicles	6
Equipment and furniture	7-20
Buildings and improvements	20

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Long-term obligations are paid with monies from the General Fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Library has deferred outflows of resources related to the defined benefit pension plans for MERS and MPERS. See Notes 9 and 10 for details. The Library also has deferred outflows of resources related to the OPEB plan. See Note 10 for details.

Note 1 - Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Library has deferred inflows of resources recorded in the government-wide statements related to the defined benefit pension plans for MERS and MPSERS. See Notes 9 and 10 for details. The Library also has deferred inflows of resources recorded in the government-wide statements related to the OPEB plan. See Note 10 for details.

The governmental funds report unavailable deferred inflows from grants and pledges revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position of the Library is classified in three components. Net investment in capital assets - net of related debt consist of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and as held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The Library will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Library will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

In the fund financial statements, the governmental fund reports the following components of fund balance:

- Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- Committed: Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board.

Note 1 - Significant Accounting Policies (Continued)

- Assigned: Intent to spend resources on specific purposes expressed by the governing body, director of library services, or director of finance, who are authorized by resolution approved by the governing body to make assignments
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

The Library Board has adopted a fund balance policy (111.4.1) that requires the establishment and maintenance of a three-month operating reserve. The current budget stabilization is approximately equivalent to a three-month operating reserve at \$900,000.

Property Tax Revenue

Property taxes are levied on each July 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 30 of the following year, at which time penalties and interest are assessed.

The taxable valuation of the Library totaled approximately \$724 million, on which ad valorem taxes levied consisted of 4 mills for the Library's operating purposes. The ad valorem taxes levied raised approximately \$2.86 million for operations, which is recognized in the General Fund financial statements as property tax revenue.

The Library levies its property taxes on July 1, and the City of Flint, Michigan collects its property taxes and remits them to the Library through February. Genesee County, Michigan (the "County") purchases the delinquent real property taxes of the Library, and delinquent personal property taxes continue to be collected by the City and recorded as revenue as they are collected. The County sells tax notes, the proceeds of which have been used to pay the Library for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

Grants and Memorials and Unearned Revenue

Grant revenue is recorded as it is earned, according to the provisions of the grant. The provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred for a grant-related obligation. Some immaterial variances may occur between grant revenue and expense due to timing differences. Any grant funds received in advance are recorded as unearned revenue until the eligibility requirements have been met.

Pension

The Library offers a defined benefit pension plan to its employees through the Municipal Employees' Retirement System of Michigan (MERS) for employees hired after July 1, 2000. The Library records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Library's pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

The Library continued to offer to employees hired prior to July 1, 2000 a defined benefit pension plan through Michigan Public School Employees' Retirement System (MPSERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the plan, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

In accordance with contracts negotiated with the employees of the Library, individual employees have a vested right upon termination of employment to receive payment for unused vacation, sick leave, and terminal leave under formulas and conditions specified in the contracts. All vacation, sick leave, and terminal leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. These liabilities are liquidated by the General Fund.

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.

Pledges Receivable

Pledges of cash and other assets, including unconditional promises to give in the future, are reported as revenue when granted or received, measured at fair value. Contributions receivable at June 30, 2020 are expected to be collected within one year. The Library has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Library is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Library's financial statements for the year ending June 30, 2021.

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Library is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Library's financial statements for the year ending June 30, 2022.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. This statement reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the Library's financial statements for the June 30, 2022 fiscal year.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The Library does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Library is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Library's financial statements for the year ending June 30, 2023.

In June 2020, the Governmental Accounting Standards Board issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The Library is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the Library's financial statements for the year ending June 30, 2022.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Note 2 - Deposits and Investments (Continued)

The National Credit Union Insurance Fund administered by the National Credit Union Administration (NCUA) provides protection for the Library's deposits in credit unions. The board authorized Dort Federal Credit Union and Financial Plus Credit Union for the deposit of the Library's funds.

The Federal Deposit Insurance Corporation (FDIC) provides protection of the Library's deposits. The board authorized Huntington, Bank of America, Chemical, and JPMorgan Chase for the deposit of the Library's funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997, as amended, had authorized investment in all of the above-mentioned investment vehicles. The Library's deposit and investment policies are in accordance with statutory authority.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. The Library has a deposit policy for custodial credit risk. At year end, the Library had \$5,116,816 of bank deposits (certificates of deposit and checking and savings accounts) that was uninsured and uncollateralized. The Library evaluates the financial institutions with which it deposits funds and assesses their level of risk; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates.

At year end, the Library had the following investments:

Investment Type	Fair Value	Weighted-average Maturity (in Years)
U.S. government securities	\$ 17,607,157	0.57

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are mutual funds with fair value of \$5,199,595 rated AAA by S&P.

Deposits and Investments of Component Unit

All of the deposits of FFPL were fully insured at June 30, 2020.

Fair Value Measurements

The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

June 30, 2020

Note 2 - Deposits and Investments (Continued)

The Library has the following recurring fair value measurements as of June 30, 2020:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets			
U.S. government securities	\$ -	\$ 17,607,157	\$ -
Mutual funds - Fixed income	-	5,199,595	-
Total assets	\$ -	\$ 22,806,752	\$ -

Note 3 - Capital Assets

Capital asset activity of the Library was as follows:

Governmental Activities

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 530,000	\$ -	\$ -	\$ 530,000
Construction in progress	584,377	1,983,270	-	2,567,647
Other nondepreciable assets	200,000	-	-	200,000
Subtotal	1,314,377	1,983,270	-	3,297,647
Capital assets being depreciated:				
Buildings and improvements	2,587,077	-	-	2,587,077
Machinery and equipment	556,723	29,960	(121,436)	465,247
Books	1,651,740	46,442	(218,784)	1,479,398
Subtotal	4,795,540	76,402	(340,220)	4,531,722
Accumulated depreciation:				
Buildings and improvements	1,808,774	389,152	-	2,197,926
Machinery and equipment	499,228	25,591	(114,088)	410,731
Books	1,159,906	86,427	(192,149)	1,054,184
Subtotal	3,467,908	501,170	(306,237)	3,662,841
Net capital assets being depreciated	1,327,632	(424,768)	(33,983)	868,881
Net capital assets	\$ 2,642,009	\$ 1,558,502	\$ (33,983)	\$ 4,166,528

As part of the transaction to "spin off" from Flint Community Schools, the deed to the building and land of the main branch was given to the Library on the condition that the property be used for public library purposes and with free public library usage for residents of the City of Flint, Michigan. Should the property cease to be used for public library purposes with free public library usage for residents of the City of Flint, Michigan, the property ownership would revert back to Flint Community Schools. The deed to the property was transferred on June 15, 2004 at a fair value of \$2,650,000.

June 30, 2020

Note 3 - Capital Assets (Continued)

Commitments

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

	Spent to Date	Remaining Commitment
Library renovation	\$ 2,567,647	\$ 28,032,353

Note 4 - Long-term Debt

General Obligation Bonds

The Library issued a general obligation bond to provide for the renovation of the Library building and site. General obligation bonds are direct obligations and pledge the full faith and credit of the Library.

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Other debt: 2020 General Obligation Unlimited Tax Library Building and Site Bond	3%	\$760,000 - \$1,180,000	\$ -	\$ 11,735,000	\$ -	\$ 11,735,000	\$ 760,000
Unamortized bond premium		\$88,688	-	975,572	(29,563)	946,009	88,688
Total bonds and contracts payable			-	12,710,572	(29,563)	12,681,009	848,688
Compensated absences and terminal leave:							
Compensated absences			107,543	36,527	(5,063)	139,007	46,781
Terminal leave			104,840	-	(4,296)	100,544	6,500
Total compensated absences and terminal leave			212,383	36,527	(9,359)	239,551	53,281
Total governmental activities long- term debt			\$ 212,383	\$ 12,747,099	\$ (38,922)	\$ 12,920,560	\$ 901,969

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 760,000	\$ 176,025	\$ 1,960,738
2022	1,030,000	329,250	2,807,188
2023	1,045,000	298,350	2,775,388
2024	1,075,000	267,000	2,772,688
2025	1,030,000	234,750	2,618,188
2026-2030	5,615,000	691,200	13,055,840
Thereafter	1,180,000	35,400	2,489,929
Total	\$ 11,735,000	\$ 2,031,975	\$ 28,479,959

Note 4 - Long-term Debt (Continued)

Pledged Revenue

The Library has pledged to budget and set aside each year, from the first collection of taxes levied for the payment of the principal of and interest on the bonds, a sum sufficient to pay the principal of and interest on the bonds coming due prior to the next collection of taxes. No revenue has been pledged as of June 30, 2020, as there has been no levy of taxes for the payment of the principal of and interest on the bonds as of June 30, 2020.

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects Fund - Private	General Fund	\$ 85,593

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Capital Projects Fund - Private	\$ 202,918

The transfer from the General Fund to the Capital Projects Fund - Private occurred to transfer capital contributions received for the library building capital project.

Note 6 - Budget Information

The Library employs the following procedures in establishing the budgetary data reflected in the financial statements:

- Prior to June 30, the director submits to the board a proposed operating budget for the fiscal year commencing on July 1.
- A public hearing is conducted in June to obtain taxpayer comments.
- Prior to June 30, the budget is legally enacted through passage of a resolution by the board of trustees on a departmental basis.
- For purposes of meeting emergency needs of the Library, transfer of appropriations may be made by the authorization of the director. Such transfers of appropriations must be approved by the board at its next regularly scheduled meeting.
- The director is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- During the year, the budget is monitored, and amendments to the budget resolution are made when deemed necessary. Unexpended appropriations lapse at year end, and, as a result, the amount of encumbrances outstanding at June 30, 2020 has not been calculated. Encumbrances are not included as expenditures.

The budget has been prepared on a departmental basis in accordance with accounting principles generally accepted in the United States of America, except that grants are budgeted on a grant-length basis.

Note 6 - Budget Information (Continued)

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

Note 7 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for these risks. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage.

Note 8 - Restricted Net Position - Endowment

The expendable and nonexpendable portions of endowment at June 30, 2020 are composed of the following:

Primary Government

	Restricted - Expendable	Restricted - Nonexpendable	Total
Scott Memorial Fund	\$ 41,388	\$ 20,000	\$ 61,388
Library Special Fund (Curtis)	150,050	-	150,050
Total restricted net position	<u>\$ 191,438</u>	<u>\$ 20,000</u>	<u>\$ 211,438</u>

Note 9 - Agent Defined Benefit Pension Plan

Plan Description

The Library participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan that covers employees of the Library who were hired after July 1, 2000 and work 160 hours per month. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The Library has no fiduciary responsibility for the plan. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all union and nonunion employees hired after July 2000.

Employees are eligible for full retirement benefits upon completion of 25 years of service at age 50, 10 years of service at age 60, or 30 years of service. Straight-life pension is calculated as follows: credited service at time of termination multiplied by 1.5 percent of the member's final average compensation (5 highest consecutive years within the last 10 years of employment), with no maximum percentage of final average compensation.

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2019
Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>20</u>
Total employees covered by the plan	<u><u>32</u></u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires public employers to make pension contributions in accordance with an actuarial valuation. The Library hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

The plan provides that the employer contributes the amount necessary to fund the actuarially determined benefits. The Library makes employer contributions in accordance with funding requirements determined by the system's actuary. The Library's current rate is 3.84 percent of annual covered payroll. The Library's required and actual contributions to the plan were \$35,359 for the year ended June 30, 2020.

Net Pension Asset

The Library has chosen to use the December 31 measurement date as its measurement date for the net pension asset. The June 30, 2020 fiscal year end reported net pension asset was determined using a measure of the total pension liability and the pension net position as of the December 31, 2019 measurement date. The December 31, 2019 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Asset
Balance at December 31, 2018	\$ 1,708,572	\$ 1,814,637	\$ (106,065)
Changes for the year:			
Service cost	67,796	-	67,796
Interest	138,131	-	138,131
Differences between expected and actual experience	5,850	-	5,850
Changes in assumptions	64,772	-	64,772
Contributions - Employer	-	34,027	(34,027)
Net investment income	-	248,779	(248,779)
Benefit payments, including refunds	(31,662)	(31,662)	-
Administrative expenses	-	(4,288)	4,288
Net changes	<u>244,887</u>	<u>246,856</u>	<u>(1,969)</u>
Balance at December 31, 2019	<u>\$ 1,953,459</u>	<u>\$ 2,061,493</u>	<u>\$ (108,034)</u>

Note 9 - Agent Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2020, the Library recognized pension expense of \$93,803. At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,914	\$ (56,821)
Changes in assumptions	67,808	-
Net difference between projected and actual earnings on pension plan investments	7,336	-
Employer contributions to the plan subsequent to the measurement date	17,604	-
Total	<u>\$ 105,662</u>	<u>\$ (56,821)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2021	\$ (223)
2022	5,864
2023	32,210
2024	(6,614)
Total	<u>\$ 31,237</u>

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.00 percent, an investment rate of return (net of investment expenses) of 7.6 percent, and the RP-2014 mortality tables.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period from 2014-2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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.

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2019, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	6.15 %
Global fixed income	20.00	1.26
Private investments	20.00	6.56

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

The following presents the net pension asset of the Library, calculated using the discount rate of 7.60 percent, as well as what the Library's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.60 percent) or 1 percentage point higher (8.60 percent) than the current rate:

	1 Percentage Point Decrease (6.60%)	Current Discount Rate (7.60%)	1 Percentage Point Increase (8.60%)
Net pension liability (asset) of the Library	\$ 182,422	\$ (108,034)	\$ (348,842)

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 asset, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

Assumption changes in are the result of a reduction in the investment rate of return assumption from 8.00 percent to 7.60 percent and a change in the assumed rate of wage inflation from 3.75 percent to 3.00 percent.

Note 10 - Michigan Public School Employees' Retirement System***Plan Description***

The Library participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers employees of the Library hired prior to July 1, 2000. Certain library employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement Services (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

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

MPERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Contributions

Public Act 300 of 1980, as amended, required the Library to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to retiree health care and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 457 account. Members who selected this option stopped paying the 3 percent contribution to retiree health care as of the day before their transition date, and their prior contributions were deposited into their 457 account.

The Library's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	Pension	OPEB
July 1, 2019 - September 30, 2019	13.39% - 18.25%	7.57% - 7.93%
October 1, 2019 - June 30, 2020	13.39% - 19.41%	7.57% - 8.09%

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The Library's required and actual pension contributions to the plan for the year ended June 30, 2020 were \$161,064, which include the Library's contributions required for those members with a defined contribution benefit. The Library's required and actual contributions include an allocation of \$72,840 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2020.

The Library's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$8,369, which include the Library's contributions required for those members with a defined contribution benefit.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability

At June 30, 2020, the Library reported a liability of \$2,139,199 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The Library's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the Library's proportion was 0.006460 percent and 0.006659 percent, respectively.

Net OPEB Liability

At June 30, 2020, the Library reported a liability of \$385,780 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The Library's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the Library's proportion was 0.005375 and 0.005624 percent, respectively, of MPSERS in total.

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

For the year ended June 30, 2020, the Library recognized pension expense of \$223,982, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,589	\$ (8,920)
Changes in assumptions	418,857	-
Net difference between projected and actual earnings on pension plan investments	-	(68,558)
Changes in proportion and differences between the Library's contributions and proportionate share of contributions	-	(149,484)
The Library's contributions to the plan subsequent to the measurement date	139,990	-
Total	\$ 568,436	\$ (226,962)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense:

Years Ending	Amount
2021	\$ 55,851
2022	65,078
2023	57,285
2024	23,270
Total	\$ 201,484

June 30, 2020

Note 10 - Michigan Public School Employees' Retirement System (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Library recognized OPEB expense of \$(13,288). At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (141,554)
Changes in assumptions	83,591	-
Net difference between projected and actual earnings on OPEB plan investments	-	(6,709)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	131	(87,978)
The Library's contributions to the plan subsequent to the measurement date	6,307	-
Total	\$ 90,029	\$ (236,241)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future pension expense):

Years Ending	Amount
2021	\$ (41,116)
2022	(41,116)
2023	(37,796)
2024	(24,951)
2025	(7,540)
Total	\$ (152,519)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2019 are based on the results of an actuarial valuation as of September 30, 2018 and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	3.50% - 12.30%	Including wage inflation of 3.50 percent
Health care cost trend rate	7.50%	Year 1 graded to 3.0% year 12
Mortality basis		RP-2014 Combined Healthy Mortality Table
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

There were significant changes in assumptions for both pension and OPEB, including the following: reduction of the discount rate by 0.25 percentage points in the pension plan and 0.20 percentage points in the OPEB plan.

June 30, 2020

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent, depending on the plan option, and 6.95 percent for the total OPEB liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that library contributions will be made at statutorily required rates.

Based on those assumptions, the pension and OPEB 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 and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.50 %
Private equity pools	18.00	8.60
International equity pools	16.00	7.30
Fixed-income pools	10.50	1.20
Real estate and infrastructure pools	10.00	4.20
Real return, opportunistic, and absolute pools	15.50	5.40
Short-term investment pools	2.00	0.80
Total	100.00 %	

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 6.80 percent, depending on the plan option. The following also reflects what the Library's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.80 percent) or 1 percentage point higher (7.80 percent) than the current rate:

	1 Percentage Point Decrease (5.80%)	Current Discount Rate (6.80%)	1 Percentage Point Increase (7.80%)
Net pension liability of the Library	\$ 2,781,096	\$ 2,139,199	\$ 1,607,045

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

The following presents the net OPEB liability of the Library, calculated using the current discount rate. It also reflects what the Library's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the Library	\$ 473,217	\$ 385,780	\$ 312,357

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Library, calculated using the current health care cost trend rate. It also reflects what the Library's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.50%)	Current Health Care Cost Trend Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the Library	\$ 309,244	\$ 385,780	\$ 473,207

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2020, the Library reported a payable of \$9,726 for the outstanding amount of contributions to the pension plan and OPEB plans required for the year ended June 30, 2020.

Note 11 - Component Unit - Friends of the Flint Public Library

During 1992, the Friends of the Flint Public Library, a component unit of the Flint Public Library, created a designated endowment fund (the "Fund") at the Community Foundation of Greater Flint (the "Foundation"). The Foundation has variance power over the Fund, and, as a result, the assets are not reported on FFPL's balance sheet. The Foundation must distribute to the Flint Public Library investment earnings annually. The total market value of the Fund held by the Foundation at June 30, 2020 was \$180,837. During the year ended June 30, 2020, new gifts in the amount of \$600 were made to the Fund, and the net investment gain amounted to \$4,683.

Required Supplemental Information

Flint Public Library

**Required Supplemental Information
Budgetary Comparison Schedule - General Fund**

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Taxes	\$ 2,814,710	\$ 2,852,418	\$ 2,857,957	\$ 5,539
State and federal grants and aid	202,220	129,516	170,868	41,352
Sales, fees, and fines	111,800	112,043	123,400	11,357
Stabilization authority payments	150,000	163,368	163,368	-
Grant and special program	18,120	1,249,023	1,245,695	(3,328)
Investment income	30,000	66,233	65,272	(961)
Gifts and donations	137,550	547,008	550,151	3,143
Total revenue	<u>3,464,400</u>	<u>5,119,609</u>	<u>5,176,711</u>	<u>57,102</u>
Expenditures				
Current services:				
Governing board	36,350	31,350	27,532	3,818
Administration	415,780	409,427	406,774	2,653
Automated services	204,380	206,640	181,999	24,641
Facilities	561,970	493,840	471,305	22,535
Library and program services	2,169,340	1,936,336	1,962,770	(26,434)
Fund development	206,250	296,934	281,281	15,653
Grant and special programs	145,190	1,409,968	1,406,067	3,901
Total expenditures	<u>3,739,260</u>	<u>4,784,495</u>	<u>4,737,728</u>	<u>46,767</u>
Excess of Revenue (Under) Over Expenditures	(274,860)	335,114	438,983	103,869
Other Financing Uses - Transfer out	<u>-</u>	<u>(170,245)</u>	<u>(202,918)</u>	<u>(32,673)</u>
Net Change in Fund Balance	(274,860)	164,869	236,065	71,196
Fund Balance - Beginning of year	<u>4,183,202</u>	<u>4,183,202</u>	<u>4,183,202</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 3,908,342</u></u>	<u><u>\$ 4,348,071</u></u>	<u><u>\$ 4,419,267</u></u>	<u><u>\$ 71,196</u></u>

Required Supplemental Information
 Schedule of Changes in the Net Pension Asset and Related Ratios
 Municipal Employees' Retirement System

	Years Ended December 31					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 67,796	\$ 61,661	\$ 62,363	\$ 53,239	\$ 48,927	\$ 43,096
Interest	138,131	127,492	118,175	113,867	94,763	85,263
Differences between expected and actual experience	5,850	(32,379)	(43,404)	(100,159)	49,406	-
Changes in assumptions	64,772	-	-	-	95,944	-
Benefit payments, including refunds	(31,662)	(22,046)	(18,610)	(16,697)	(16,306)	(15,920)
Net Change in Total Pension Liability	244,887	134,728	118,524	50,250	272,734	112,439
Total Pension Liability - Beginning of year	1,708,572	1,573,844	1,455,320	1,405,070	1,132,336	1,019,897
Total Pension Liability - End of year	\$ 1,953,459	\$ 1,708,572	\$ 1,573,844	\$ 1,455,320	\$ 1,405,070	\$ 1,132,336
Plan Fiduciary Net Position						
Contributions - Employer	\$ 34,027	\$ 32,626	\$ 73,735	\$ 9,746	\$ 24,100	\$ 35,367
Net investment income (loss)	248,779	(75,554)	219,374	167,399	(22,779)	87,556
Administrative expenses	(4,288)	(3,696)	(18,610)	(16,697)	(3,274)	(3,231)
Benefit payments, including refunds	(31,662)	(22,046)	(3,456)	(3,301)	(16,306)	(15,920)
Net Change in Plan Fiduciary Net Position	246,856	(68,670)	271,043	157,147	(18,259)	103,772
Plan Fiduciary Net Position - Beginning of year	1,814,637	1,883,307	1,612,264	1,455,117	1,473,376	1,369,604
Plan Fiduciary Net Position - End of year	\$ 2,061,493	\$ 1,814,637	\$ 1,883,307	\$ 1,612,264	\$ 1,455,117	\$ 1,473,376
Library's Net Pension Asset - Ending	\$ (108,034)	\$ (106,065)	\$ (309,463)	\$ (156,944)	\$ (50,047)	\$ (341,040)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.53 %	106.21 %	119.66 %	110.78 %	103.56 %	130.12 %
Covered Payroll	\$ 919,892	\$ 837,791	\$ 829,301	\$ 722,376	\$ 710,119	-
Library's Net Pension Asset as a Percentage of Covered Payroll	(11.74)%	(12.66)%	(37.32)%	(21.73)%	(7.05)%	- %

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Flint Public Library

Required Supplemental Information Schedule of the Library's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Six Plan Years Years Ended September 30					
	2019	2018	2017	2016	2015	2014
Library's proportion of the net pension liability	0.00646 %	0.00666 %	0.00676 %	0.00778 %	0.00813 %	0.00857 %
Library's proportionate share of the net pension liability	\$ 2,139,199	\$ 2,001,960	\$ 1,752,024	\$ 1,941,089	\$ 1,986,925	\$ 1,887,859
Library's covered payroll	\$ 465,358	\$ 475,915	\$ 527,382	\$ 618,368	\$ 681,091	\$ 744,021
Library's proportionate share of the net pension liability as a percentage of its covered payroll	459.69 %	420.65 %	332.21 %	313.91 %	291.73 %	253.74 %
Plan fiduciary net position as a percentage of total pension liability	60.08 %	62.21 %	63.96 %	63.01 %	62.92 %	66.15 %

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Flint Public Library

Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

	Last Ten Fiscal Years									
	Years Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 161,064	\$ 170,496	\$ 184,496	\$ 134,683	\$ 159,484	\$ 133,110	\$ 274,169	\$ 186,289	\$ 121,662	\$ 164,311
Contributions in relation to the statutorily required contribution	161,064	170,496	184,496	134,683	159,484	133,110	274,169	186,289	121,662	164,311
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Library's Covered Payroll	\$ 465,607	\$ 465,210	\$ 489,768	\$ 535,134	\$ 618,484	\$ 714,294	\$ 742,123	\$ 769,441	\$ 828,268	\$ 830,947
Contributions as a Percentage of Covered Payroll	34.59 %	36.65 %	34.98 %	25.17 %	25.79 %	18.64 %	36.94 %	24.21 %	14.69 %	19.77 %

Flint Public Library

Required Supplemental Information Schedule of the Library's Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

	Last Three Plan Years Years Ended September 30		
	2019	2018	2017
Library's proportion of the net OPEB liability	0.00537 %	0.00562 %	0.00679 %
Library's proportionate share of the net OPEB liability	\$ 385,780	\$ 447,020	\$ 600,939
Library's covered-employee payroll	\$ 465,358	\$ 475,915	\$ 527,382
Library's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	82.90 %	93.93 %	113.95 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	43.10 %	36.53 %

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Flint Public Library

Required Supplemental Information Schedule of OPEB Contributions Michigan Public School Employees' Retirement System

	Last Three Fiscal Years Years Ended June 30		
	2020	2019	2018
Statutorily required contribution	\$ 37,414	\$ 36,542	\$ 35,375
Contributions in relation to the statutorily required contribution	37,414	36,542	35,375
Contribution Deficiency	\$ -	\$ -	\$ -
Library's Covered-employee Payroll	\$ 465,607	\$ 465,210	\$ 489,768
Contributions as a Percentage of Covered-employee Payroll	8.04 %	7.85 %	7.22 %

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Budgetary Information

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Flint Public Library incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>		<u>Actual</u>		<u>Variance</u>
Library and program services	\$ 1,936,336	\$	1,962,770	\$	(26,434)
Other financing uses - Transfer out	170,245		202,918		(32,673)

Pension Information

Changes in Assumptions - MERS

Assumption changes in measurement year 2019 are the result of a reduction in the investment rate of return assumption from 8.0 percent to 7.6 percent and a change in the assumed rate of wage inflation from 3.75 percent to 3.00 percent.

Assumption changes in measurement year 2015 are the result of the investment rate of return assumption reduced from 8.25 percent to 8.0 percent.