PORT JEFFERSON FREE LIBRARY

FINANCIAL REPORT
WITH ADDITIONAL INFORMATION

JUNE 30, 2013

BALDESSARI & COSTER LLP

PORT JEFFERSON FREE LIBRARY

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Port Jefferson Free Library
100 Thompson Street
Port Jefferson, New York 11777

We have audited the accompanying basic financial statements of the Port Jefferson Free Library as of and for the year ended June 30, 2013, as listed in the table of contents, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port Jefferson Free Library, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 through 9 and 26 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baldessari & Coster LLP
Certified Public Accountants
Stewart Manor, New York
September 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

This annual report consists of three parts-*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information.* The basic financial statements include information that presents two different views of the Library:

- The first three columns of these financial statements include information on the Library's funds under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

  The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.

- The *government-wide financial statement* columns provide both long-term and short-term information about the Library's overall financial status. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

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

Condensed Financial Information:

The table below compares key financial information in a condensed format between the current year and the prior year, in thousands of dollars:

	June 30, 2013	June 30, 2012	Increase (Decrease)
Current assets	$ 4,461	$ 4,252	$ 209
Capital assets	1,605	1,657	(52)
Total Assets	6,066	5,909	157
Long-term debt	1,068	900	168
Other liabilities	252	226	26
Total Liabilities	1,320	1,126	194
Net Position:			
Invested in capital assets, net of debt	1,605	1,657	(52)
Restricted	3	3	0
Unrestricted	3,138	3,123	15
Total Net Position	$ 4,746	$ 4,783	$ (37)
Revenue:			
District taxes	$ 2,849	$ 2,784	$ 65
Contract services	1,090	994	96
Other revenue	175	170	5
Total Revenue	4,114	3,948	166
Expenses - Library Services	4,151	4,063	88
Change in net position	(37)	(115)	78
Net Position - beginning of year	4,783	4,898	(115)
Net position - End of Year	$ 4,746	$ 4,783	$ (37)

The Library As A Whole

- The Library's net position decreased by $37,500 this year. The most significant reason for this decrease was the recognition of depreciation expense as well as the expenses related to post-employment health insurance costs which are required to be recorded by Governmental Accounting Standards Board Statement No. 45.

- The Library's primary source of revenue is contract services (non-resident fees) and property taxes. Revenue from contract services represented 26 percent of total revenue, and property taxes represented 69 percent of total revenue. In the prior year these revenue items represented 25 percent and 71 percent of total revenue respectively.

- As is typical of service agencies, salaries and benefits are a significant expense of the Library, representing 77 percent of the Library's total expenses. These expenses totaled $3,207,869 for the year ending June 30, 2013 versus $3,167,601 for the year ending June 30, 2012.

The Library Funds:

Our analyses of the Library's funds are included in the first three columns of pages 10 and 11 on the respective statements. The fund columns provide detailed information about the most significant funds – not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes and to maintain accountability for certain activities. Currently, the Library's funds consist of the General Fund and the Capital Fund.

The fund balance of the General Fund increased during the year from $3,729,519 to $3,912,603. This is primarily the result of the budgetary highlights described below. The fund balance of the Capital Fund remained the same as in the prior year at $296,674.

Budgetary Highlights:

The following are explanations for the significant variations between the Library's final budget and the actual results of the General Fund:

- In total, there was a $131,128 favorable budget variance for library revenues. The majority of this variance was primarily due to the fact that each year the library contracts with the Miller Place and Mt. Sinai Districts to provide services to patrons of those districts who wish to enroll at the Library. The Library budgeted for contract revenue at amounts similar to those of the prior year. However, due to increases over the past few years in the patron base, $98,799 more in contract revenue was received than had been anticipated.

Budgetary Highlights: (Continued)

- The employee benefit section was only over spent by $6,255 or .7 percent. The apparent over expenditure in the workers' compensation budget line, and the apparent under expenditure of the employee insurance benefits budget line is directly related. These differences are the result of a reclassification of workers compensation costs that were originally budgeted for within the employee insurance benefit budget line, but were reflected as a separate line on the financial statement.

- In total, library materials and programs were under spent by $35,169. The largest component of this variance was within the books budget line which was under spent because of decreased demand. The number of patrons that prefer their materials in an electronic format is growing, so many of the items that were purchased were in an online or computerized format and were not duplicated in the print format. The same is true for audio visual materials and periodicals. More patrons have been streaming movies or renting them from their cable providers, so the Library has slowed its purchases of DVD's and CD's.

- The favorable variance in the telecommunications budget line and the unfavorable variance in the computer services / OPAC / basic service fee budget line are directly related. The Library has historically reflected certain telecommunication costs related to computer services as an expense in the budget line for computer services / OPAC / basic service fee as opposed to the telecommunication budget line where they have been budgeted for. Accordingly, these variances should be viewed as offsetting one another.

- The budget line for professional fees and dues was over spent by $23,924. This was due to the fact that 1) the Library hired a consulting firm to help develop a comprehensive strategic plan for the Library. The decision to hire this firm was made after the budget had already been finalized. 2) The Library had two employees separate from service, but then had to pay independent contractors for cleaning and computer related services. Lastly, 3) the Library paid a portion of the consultant fee that was incurred by the Incorporated Village of Port Jefferson, in an effort to re-power the LIPA Power Plant.

- The budget line for building and grounds repair / improvement was under spent. The Library attributes this variance to the fact that less repairs were required than had been anticipated. In addition, when repairs were required, some of them were done by library staff. Overall, this appears to have created substantial savings.

- The budget line for equipment rental and repair was under spent by $9,785. When the Library's copier lease expired it realized a significant savings when it switched to a different leasing company.

Budgetary Highlights: (Continued)

- The capital outlay budget section was over spent because the new computer technician replaced many of the computers that had been budgeted for replacement in the prior fiscal year, but were purchased in the current fiscal year.

Capital Assets and Debt Administration:

During the fiscal year ending June 30, 2013 the Library purchased $31,116 of fixed assets (capital outlay). The purchases were for a variety of items such as computer equipment, furniture, carpeting, etc.

The only long term debt that the Library has is to its employees for compensated absences and its obligation for other post-employment benefits. The liability for compensated absences at June 30, 2013 was $149,392. This represents an increase of $14,512 from the previous year. The obligation for other post-employment benefits at June 30, 2013 was $919,088. This represents an increase of $154,128 from the previous year.

Currently Known Conditions:

The Library budget vote for the 2013-2014 fiscal year was approved by the taxpayers. The anticipated tax revenues will be $2,908,636. This represents a 2.0% increase over the 2012-2013 fiscal year budget.

PORT JEFFERSON FREE LIBRARY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2013

	General Fund	Capital Fund	Total	Adjustments (Note 11)	Statement of Net Position
Assets:					
Cash and cash equivalents					
Checking	$ 433,320	$ 296,663	$ 729,983	$	$ 729,983
Money market and savings	3,682,073		3,682,073		3,682,073
Certificates of deposit	3,732		3,732		3,732
Petty cash	300		300		300
Total cash and cash equivalents	4,119,425	296,663	4,416,088	0	4,416,088
Prepaid expenses	40,730		40,730		40,730
Internal receivables		11	11	(11)	
Other assets	4,052		4,052		4,052
Capital assets, net of depreciation				1,605,414	1,605,414
Total Assets	$ 4,164,207	$ 296,674	$ 4,460,881	$ 1,605,403	$ 6,066,284
Liabilities:					
Accounts payable	$ 66,747	$	$ 66,747	$	$ 66,747
Accrued retirement	96,455		96,455		96,455
Accrued payroll and taxes payable	88,391		88,391		88,391
Internal payables	11		11	(11)	
Non-current liabilities:					
Compensated absences payable				149,392	149,392
Obligation for other post-employment benefits				919,088	919,088
Total Liabilities	251,604	0	251,604	1,068,469	1,320,073
Fund Balances/Net Position:					
Unassigned	1,329,246		1,329,246	(1,329,246)	
Assigned for capital projects		296,674	296,674	(296,674)	
Committed for specific purposes	2,534,958		2,534,958	(2,534,958)	
Restricted for vision impaired materials	3,617		3,617	(3,617)	
Nonspendable	44,782		44,782	(44,782)	
Total Fund Balance	3,912,603	296,674	4,209,277	(4,209,277)	
Total Liabilities And Fund Balances	$ 4,164,207	$ 296,674	$ 4,460,881		
Net Position:					
Invested in capital assets, net of related debt				1,605,414	1,605,414
Restricted for vision impaired materials				3,466	3,466
Unrestricted				3,137,331	3,137,331
Total Net Position				$ 4,746,211	$ 4,746,211

The accompanying notes are an integral part of the financial statements.

BALDESSARI & COSTER LLP

PORT JEFFERSON FREE LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Capital Fund	Total	Adjustments (Note 11)	Statement of Activities
Revenues:					
Tax revenues	$ 2,849,422	$	$ 2,849,422	$	$ 2,849,422
Payments in lieu of taxes	114,474		114,474		114,474
Contract services	1,089,479		1,089,479		1,089,479
State aid and other grants	11,116		11,116		11,116
Fines	8,478		8,478		8,478
Lost and damaged materials	6,293		6,293		6,293
Copier revenue	5,429		5,429		5,429
Interest income	8,535		8,535		8,535
E-rate	4,715		4,715		4,715
Gifts and donations	2,551		2,551		2,551
Programs	12,820		12,820		12,820
Miscellaneous revenue	916		916		916
Total Revenues	4,114,228	0	4,114,228	0	4,114,228
Expenditures/Expenses For Library Services:					
Salaries and wages	2,133,331		2,133,331	13,481	2,146,812
Employee benefits	905,898		905,898	155,159	1,061,057
Library materials and programs	501,081		501,081		501,081
Library operations	178,744		178,744		178,744
Building operations	180,974		180,974		180,974
Capital outlay	31,116		31,116	(31,116)	
Depreciation				83,060	83,060
Total Expenditures/Expenses	3,931,144	0	3,931,144	220,584	4,151,728
Excess (Deficiency) Of Revenues Over Expenditures	183,084	0	183,084	(220,584)	
Other Financing Sources/Uses:					
Transfers- internal activities	0	0	0		
Excess (Deficiency) Of Revenues And Transfers In Over Expenditures	183,084	0	183,084	(183,084)	
Change In Net Position				(37,500)	(37,500)
Fund balance/Net Position- beginning of the year	3,729,519	296,674	4,026,193	757,518	4,783,711
Fund Balance/Net Position- End Of The Year	$ 3,912,603	$ 296,674	$ 4,209,277	$ 536,934	$ 4,746,211

The accompanying notes are an integral part of the financial statements.

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NOTE 1: Summary of Significant Accounting Policies

The accounting policies of Port Jefferson Free Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Accordingly, in June 1999, the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments.* Some of the significant changes in the statement include the following:

- A management's Discussion and Analysis section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

The following is a summary of the significant accounting policies:

A. Reporting Entity: The Port Jefferson Free Library coordinates the raising of its real estate tax revenues with the Port Jefferson Union Free School District #6. The Board of Trustees is responsible for the approval of the annual budget and oversight of the Library management's control and disbursement of funds and maintenance of assets. The Library's management is solely responsible for day-to-day operations.

B. Management Focus, Basis of Accounting and Financial Statement Presentation: The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

Government-Wide Financial Statements: The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) are reported 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. 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 Statement of Net Position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net position is reported in three parts- invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

NOTE 1: **Summary of Significant Accounting Policies (Continued)**

B. **Management Focus, Basis of Accounting and Financial Statement Presentation: (Continued)**

Fund Financial Statements: Governmental fund financial statements are reported using the modified accrual basis of accounting prescribed by the Governmental Accounting Standards Board and the State of New York's Department of Audit and Control, Division of Municipal Affairs. Under this method, revenues are recognized in the period in which they become both measurable and available. Fees and other income items other than interest income are recorded when received in cash. Expenditures are recognized in the period in which the liability is incurred. However, debt service expenditures, if applicable, are recorded only when a payment is due.

The Library reports on the following funds:

General Fund: This fund is established to account for resources devoted to the general services that the Library performs for its patrons. General tax revenues and other sources of revenues used to finance the fundamental operation of the Library are included in this fund.

Capital Fund: This fund is used to account for resources devoted to the construction and renovation of the Library.

C. **Budgetary Accounting:** Formal budgetary accounting is employed as a management control of the general fund. Expenditures are compared to actual results in the report.

D. **Interfund Transactions:** The operations of the Library include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Library typically loans resources between funds for cash flow purposes. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted General Fund revenues to finance various expenditures that the Library must account for in other funds in accordance with budgetary authorizations.

E. **Tax Status:** The Library qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and accordingly there is no provision for income taxes.

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. **Fund Balance Classifications:** The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* that defines the different types of fund balances that a governmental entity must use for financial reporting purposes. They are as follows:

Nonspendable: This includes amounts that cannot be spent because they are either not in spendable form (i.e. inventories, prepaid expenses, etc.) or they are legally or contractually required to be maintained intact.

Restricted: This includes amounts with constraints placed on the use of resources. These constraints can be externally imposed by creditors, grantors, contributors, or imposed by laws and regulations.

Committed: This includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Library's Board. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned: This includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. The Library Board is not required to impose or remove the constraint. Assignments of fund balance cannot be made if it would result in a negative unassigned fund balance.

Unassigned: This includes the residual classification for the Library's general fund. This classification represents fund balance that has not been assigned to other funds, assigned for specific purposes, restricted, or committed.

G. **Use of Restricted/Unrestricted Net Position:** When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Library's policy is to apply restricted net position first.

H. **Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles 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 statement and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. **Capital Assets:** Capital assets are defined by the Library as assets with an initial cost of $500 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Library books and materials are not capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	5 years
Furniture and fixtures	7 years
Building and improvements	40 years
Leasehold improvements	life of lease (5 years)

NOTE 2: 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.

Cash in excess of current operating needs is invested in interest bearing accounts and Certificates of Deposit. As of June 30, 2013, the Library had $3,732 invested in Certificates of Deposit. The details are as follows:

Bank	Date of Purchase	Date of Maturity	Rate of Investment	Balance as of 6/30/2013
TD Bank	06/29/13	08/27/13	0.10%	$ 3,732

NOTE 3: Concentration of Credit Risk

The Library maintains all of its cash balances at two banks. At fiscal year end, the Library's carrying amount of deposits was $4,415,788 (excludes petty cash) and the bank balance was $4,465,247. Of the bank balance, $503,732 was covered by federal depository insurance. The remaining balance of $3,961,515 was covered by collateral held by the Library's agent.

NOTE 4: Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance as of 7/1/2012	Additions	Deletions	Balance as of 6/30/2013
Assets not being depreciated:				
Fine arts	$ 1,475	$ 0	$ 0	$ 1,475
Land	289,346	0	0	289,346
Other capital assets:				
Computer equipment	168,508	17,489	0	185,997
Other equipment	318,888	3,139	0	322,027
Furniture and fixtures	432,457	6,205	0	438,662
Leasehold improvements	74,555	0	0	74,555
Building improvements	2,576,305	4,283	0	2,580,588
Total	3,861,534	31,116	0	3,892,650
Accumulated depreciation	(2,204,176)	(83,060)	0	(2,287,236)
Net Book Value	$ 1,657,358	$ (51,944)	$ 0	$ 1,605,414

NOTE 5: Accounts Payable

Accounts payable consisted of unpaid invoices at June 30, 2013.

NOTE 6: Compensated Absences Payable

The Library has an accumulated liability as of June 30, 2013 for unused sick and vacation pay amounting to $149,392. This represents an increase of $14,512 from the previous year. No portion of this liability is expected to be paid out during the next twelve months.

NOTE 7: Retirement Plan

A. **General Information:** The Port Jefferson Free Library contributes to the New York State and Local Employees' Retirement System (ERS). The Retirement System is a cost sharing multiple employer defined benefit pension plan. The Retirement System provides retirement benefits, as well as death and disability benefits.

B. **Plan Description:** The ERS is established pursuant to the New York State Retirement and Social Security Law, to provide benefits for the state and local governments and their employees. The State Constitution guarantees ERS plan benefits.

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. These reports may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

C. **Funding Policy:** The Retirement System is noncontributory except for: 1) employees who joined the Retirement System between July 27, 1976 and December 31, 2009, and have less than ten years of service, who contribute 3% of their salary, 2) employees who joined the Retirement System between January 1, 2010 and March 31, 2012 who contribute 3% of their salary in perpetuity and 3) employees who joined the Retirement System on or after April 1, 2012 who contribute from 3% to 6% of their salary in perpetuity dependent upon their annual wage. Under the Authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Library is required to contribute annually at an actuarially determined rate. The required contribution for the current year was $380,952, for 2012 it was $252,841 and for 2011 it was $205,720.

The actual contributions made to the Retirement System were equal to 100% of the contribution required for each year.

NOTE 8: Post-employment Benefits Other Than Pensions

A. Plan Description: The New York State Department of Civil Service (DCS) administers the New York Health Insurance Program (NYSHIP) which provides health insurance to current and retired employees of New York State, and participating public authorities and local governmental units, such as the Port Jefferson Free Library. NYSHIP offers comprehensive hospital, medical and prescription drug benefits. As administrator of NYSHIP, the DCS performs all administrative tasks and has the authority to establish and amend the benefit provisions offered. Annual benefit premiums charged to and paid by participating local governmental entities are generally the same, regardless of each individual employer's risk profile. The annual benefit premiums collected by DCS are then remitted to the health insurance carriers that comprise NYSHIP. NYSHIP is considered an agent multiple-employer defined benefit plan, it is not a separate entity or trust, and does not issue stand-alone financial statements. The Library, as a participant in the plan, recognizes these postemployment benefits on an accrual basis.

B. Funding Policy: Contribution requirements are determined by the Library Board. Currently, for full-time employees hired prior to July 1, 2002, the Library will pay 100% of the amount for a retiree's individual policy premium and 75% of the additional cost of a family policy premium. For full-time employees hired on or after July 1, 2002, the Library will pay 90% of the amount for a retiree's individual policy premium and 75% of the additional cost of a family policy premium.

For the year ending June 30, 2013, the Library recognized the cost of providing health insurance by recording its share of retiree insurance premiums of $77,672 as an expenditure in the General Fund. Port Jefferson Free Library also reimburses retired employees and their spouses the full cost of Medicare deducted from their Social Security benefits, which amounted to $11,259. The retiree's share of premiums for health insurance is withheld from their monthly NYS retirement pension payment.

The calculation of the liability was based upon the 2012 annual medical premiums of:

	Individual	Family	Family With Two Medicare Participants	Family With One Medicare Participant
Empire	$ 8,553	$ 18,754		
Empire Medicare	$ 5,031		$ 11,079	$ 15,231

NOTE 8: Post-employment Benefits Other Than Pensions (Continued)

C. **Annual OPEB Cost and Net OPEB Obligation:** The Library's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the "annual required contribution of the employer (ARC). The Library has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Library's net OPEB obligation to the Retiree Health Plan:

Annual required contribution & OPEB cost	$ 270,550
Interest on net OPEB obligation	30,598
Adjustment to annual required contribution	(35,061)
Annual OPEB cost (expense)	266,087
Contributions made	(111,959)
Increase in net OPEB obligation	154,128
Net OPEB obligation - beginning of year	764,960
Net OPEB obligation - end of year	$ 919,088

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OBEB obligation for the years ending June 30, 2011, 2012 and 2013 are as follows:

Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % Of Pay
6/30/2011	$ 334,589	24.0%	$ 501,805	$ 1,430,764	23.4%
6/30/2012	$ 352,646	25.4%	$ 764,960	$ 1,466,533	24.0%
6/30/2013	$ 266,087	42.1%	$ 919,088	$ 1,210,828	22.0%

NOTE 8: Post-employment Benefits Other Than Pensions (Continued)

D. **Funded Status and Funded Progress:** As of June 30, 2013, the actuarial accrued liability for benefits, based upon the valuation date of July 1, 2012 was $3,407,974, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1,210,828, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 281.5 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information as time passes about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Funding interest rate – An interest rate of 4% was used.

Mortality – Life expectancies were based on the RP2000 Mortality Table with sex distinct rates and with generational mortality improvements projected using the AA table projection rates.

Participation rate – It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

NOTE 8: Post-employment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions: (Continued)

Retirement rates:

Age	Rate
55-59	3.0%
60-64	9.0%
65-69	12.0%
70-79	20.0%
80+	100.0%

Termination rates – The following rates from Table 1, paragraph 35 of Government Accounting Standard no. 45 were used.

Age	Rate
20	7.79%
25	6.78%
30	4.66%
35	3.19%
40	2.21%
45	1.59%
50+	0.00%

Healthcare cost trend rates – It was assumed that health care costs would increase in accordance with the trend rates in the following table:

Year	Pre- 65 Rates	Post- 65 Rates
2012	9.0%	5.5%
2013	8.0%	5.0%
2014	7.0%	5.0%
2015	6.0%	5.0%
2016+	5.0%	5.0%

Participant salary increases – 3.50% annually.

Payroll growth rate – 2.50% annually.

NOTE 8: Post-employment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions: (Continued)

Percent married – It was assumed that 65% of the male and 25% of the female employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

Actuarial value of assets – N/A

Per capita claims cost – Are based on the premium levels of the plan provisions in section B. The premiums paid by the Library are independent of the Library's experience and demographic profile, and are expected to change consistent with a community rated plan. Thus, we have applied the premiums with no additional adjustments other than future trend increases.

Administrative expenses – Included in premiums used.

Actuarial Cost Method – An actuarial cost method develops an orderly allocation of the actuarial present value of benefit payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

The Entry Age Normal Cost Method is used in this valuation. Under this method, the Actuarial Present value of Projected Benefits of each individual is allocated on a level basis over the earnings of the individual between hire age and assumed exit age(s). The portion of the Actuarial Present Value allocated to the valuation year is called the Normal Cost. The portion of the Actuarial Present Value not provided for as of the valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The amortization of the unfunded actuarial accrued liability has been determined as a level percentage of the projected payroll of active plan members. At each valuation, a new amortization base is created equal to the excess of the unfunded actuarial accrued liability over the remaining balances of prior amortization bases. The new base is amortized over 30 years. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years.

NOTE 9: Funds Committed For Specific Purposes

A summary of changes in designated funds for the fiscal year ending June 30, 2013 is as follows:

	Balance as of 7/1/2012	Funds Committed (Uncommitted)	Funds Received (Expended)	Balance as of 6/30/2013
Funds Committed For:				
Computers	$ 101,055	$ 0	$ 0	$ 101,055
Special projects	137,760	100,000	0	237,760
Budget stabilization fund	740,071	100,000	0	840,071
Retirement	101,232	32,880	0	134,112
Roof repair	85,000	0	0	85,000
Building and grounds	170,000	0	0	170,000
Compensated absences	102,000	100,000	0	202,000
Other post-employment benefits	402,058	362,902	0	764,960
Total	$ 1,839,176	$ 695,782	$ 0	$ 2,534,958

NOTE 10: Commitments and Contingencies

The Library leases several pieces of office equipment as well additional Library space at 150 East Main Street in Port Jefferson. The lease for space was originally signed during 2006 and was for five years. In August 2012, an agreement was signed to extend the lease term through October 31, 2016. The minimum monthly rental commitment increases from $3,142 to $3,488 over the lease term. In addition the Library is required to pay, as additional rent, an amount equal to 33% of any real estate tax increase. For the fiscal year ending June 30, 2013 the Library made rental payments for the equipment of $12,455 and for the space at 150 East Main Street of $38,328.

The future minimum lease commitments are detailed as follows:

Year Ending June 30,	Office Equipment	150 East Main Street	Total Minimum Commitment
2014	$ 16,337	$ 39,287	$ 55,624
2015	16,337	40,269	56,606
2016	3,884	41,276	45,160
2017	0	13,871	13,871
2018	0	0	0
	$ 36,558	$ 134,703	$ 171,261

NOTE 11: Reconciliation of Fund Financial Statements to Government-Wide Financial Statements

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

Total Fund Balance - Modified Accrual Basis	$ 4,209,277
Amounts reported in the statement of net position are different because:	
• Capital assets are not financial resources, and are not reported in the funds	1,605,414
• Compensated absences are included as a liability	(149,392)
• Obligation for post-employment health insurance, to be paid in future periods is not reported in the funds	(919,088)
Total Net Position - Full Accrual Basis	$ 4,746,211

Net Change in Fund Balance - Modified Accrual Basis	$ 183,084
Amounts reported in the statement of activities are different because:	
• Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	31,116
Depreciation expense	(83,060)
• (Increase)/decrease in the accruals for items reported as expenditures in the statements of activities, not in the fund statements:	
Compensated absences	(14,512)
Post-employment health costs	(154,128)
Change In Net Position - Full Accrual Basis	$ (37,500)

PORT JEFFERSON FREE LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues:				
Tax Related Items:				
Tax revenues	$ 2,849,422	$ 2,849,422	$ 2,849,422	$ 0
Payments in lieu of taxes	112,000	112,000	114,474	2,474
Total Tax Related Items	2,961,422	2,961,422	2,963,896	2,474
Operating Revenue:				
Contract services	990,680	990,680	1,089,479	98,799
State aid and other grants	7,000	7,000	11,116	4,116
Fines	7,748	7,748	8,478	730
Lost and damaged materials	5,500	5,500	6,293	793
Copier revenue	4,500	4,500	5,429	929
Interest income	5,000	5,000	8,535	3,535
E-rate	0	0	4,715	4,715
Gifts and donations	1,000	1,000	2,551	1,551
Programs	0	0	12,820	12,820
Miscellaneous	250	250	916	666
Total Operating Revenue	1,021,678	1,021,678	1,150,332	128,654
Total Revenues	$ 3,983,100	$ 3,983,100	$ 4,114,228	$ 131,128

The accompanying notes are an integral part of the financial statements.

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PORT JEFFERSON FREE LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures:				
Salaries and Wages:				
Professional	$ 1,010,995	$ 1,010,995	$ 1,025,561	$ (14,566)
Clerical	938,313	938,313	940,237	(1,924)
Custodial	144,281	144,281	138,752	5,529
Security	34,557	34,557	28,781	5,776
Total Salaries and Wages	2,128,146	2,128,146	2,133,331	(5,185)
Employee Benefits:				
Employee insurance benefits	376,598	376,598	311,859	64,739
Retirement	352,793	352,793	401,284	(48,491)
Payroll taxes	170,252	170,252	164,069	6,183
Workers compensation	0	0	28,686	(28,686)
Total Employee Benefits	899,643	899,643	905,898	(6,255)
Library Materials And Programs:				
Books	220,500	220,500	171,138	49,362
Audio visuals	82,000	82,000	66,728	15,272
Periodicals / print and non-print	48,000	48,000	45,064	2,936
Computer services / OPAC / basic service fee	79,550	79,550	111,686	(32,136)
Bindery	500	500	0	500
AV licenses	700	700	723	(23)
Programs and program supplies	105,000	105,000	105,742	(742)
Total Library Materials And Programs	536,250	536,250	501,081	35,169
Library Operations:				
Library and office supplies	34,500	34,500	28,545	5,955
Telecommunications	25,400	25,400	13,511	11,889
Postage and shipping	14,100	14,100	8,803	5,297
Publicity and printing	34,500	34,500	27,641	6,859
Conference and travel	6,000	6,000	5,551	449
Professional fees and dues	39,500	39,500	63,424	(23,924)
Library insurance	36,000	36,000	31,070	4,930
Miscellaneous	0	0	199	(199)
Total Library Operations	$ 190,000	$ 190,000	$ 178,744	$ 11,256

The accompanying notes are an integral part of the financial statements.

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PORT JEFFERSON FREE LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures: (continued)				
Building Operations:				
Utilities	$ 80,775	$ 80,775	$ 77,989	$ 2,786
Building and grounds repair/improvement	28,500	28,500	14,014	14,486
Equipment rental and repair	27,130	27,130	17,345	9,785
Service contracts	14,526	14,526	15,669	(1,143)
Building maintenance	15,500	15,500	17,629	(2,129)
Rent - 150 East Main Street	38,330	38,330	38,328	2
Total Building Operations	204,761	204,761	180,974	23,787
Capital Outlay:				
Building improvements	0	0	4,283	(4,283)
Equipment, furniture and fixtures	24,300	24,300	26,833	(2,533)
Total Capital Outlay	24,300	24,300	31,116	(6,816)
Total Expenditures	3,983,100	3,983,100	3,931,144	51,956
Excess Of Revenues Over Expenditures	0	0	183,084	183,084
Other Financing Sources (Uses):				
Transfer to Capital Fund	0	0	0	0
Excess Of Revenues And Other Financing Sources Over Expenditures	0	0	183,084	183,084
Budgetary fund balance- beginning of year	3,729,519	3,729,519	3,729,519	3,729,519
Budgetary Fund Balance- End Of Year	$ 3,729,519	$ 3,729,519	$ 3,912,603	$ 3,912,603

The accompanying notes are an integral part of the financial statements.

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PORT JEFFERSON FREE LIBRARY
SCHEDULE OF FUNDING PROGRESS
FOR THE RETIREE HEALTH PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (d)	UAAL as a percentage of Covered Payroll ((b -a) / d)
7/1/2009	$ 0	$ 3,080,073	$ 3,080,073	0.0%	$ 1,395,867	220.7%
7/1/2012	$ 0	$ 3,407,974	$ 3,407,974	0.0%	$ 1,210,828	281.5%

The accompanying notes are an integral part of the financial statements.

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