

**PORT JEFFERSON FREE LIBRARY**

**FINANCIAL REPORT  
WITH ADDITIONAL INFORMATION**

**JUNE 30, 2011**

**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

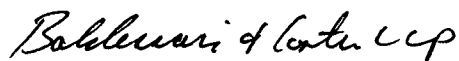
We have audited the accompanying basic financial statements of the Port Jefferson Free Library as of and for the year ended June 30, 2011, as listed in the table of contents. These basic financial statements are the responsibility of the Port Jefferson Free Library management. Our responsibility is to express an opinion on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Port Jefferson Free Library, as of June 30, 2011, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the financial section of the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Port Jefferson Free Library. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The management discussion and analysis included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Port Jefferson Free Library. We did not examine this data and, accordingly, do not express an opinion thereon.



Certified Public Accountants

September 21, 2011

**BALDESSARI & COSTER LLP**

## 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 four 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 assets 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

**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, 2011	June 30, 2010	Increase (Decrease)
Current assets	\$ 3,970	\$ 3,675	\$ 295
Capital assets	<u>1,727</u>	<u>1,818</u>	<u>(91)</u>
Total Assets	<u>5,697</u>	<u>5,493</u>	<u>204</u>
Long-term debt	622	354	268
Other liabilities	<u>177</u>	<u>165</u>	<u>12</u>
Total Liabilities	<u>799</u>	<u>519</u>	<u>280</u>
Net Assets:			
Invested in capital assets, net of debt	1,727	1,818	(91)
Restricted	3	3	0
Unrestricted	<u>3,168</u>	<u>3,153</u>	<u>15</u>
Total Net Assets	<u>\$ 4,898</u>	<u>\$ 4,974</u>	<u>\$ (76)</u>
Revenue:			
District taxes	\$ 2,751	\$ 2,700	\$ 51
Contract services	979	919	60
Other revenue	<u>169</u>	<u>173</u>	<u>(4)</u>
Total Revenue	3,899	3,792	107
Expenses - Library Services	<u>3,975</u>	<u>3,323</u>	<u>652</u>
Change in net assets	(76)	(78)	(545)
Net assets - beginning of year	<u>4,974</u>	<u>5,052</u>	<u>(78)</u>
Net Assets - End of Year	<u>\$ 4,898</u>	<u>\$ 4,974</u>	<u>\$ (623)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

**The Library As A Whole**

- The Library's net assets decreased by \$75,560 this year. The primary reason for this decrease is detailed within the Statement of Activities on page ten.
- The Library's primary source of revenue is contract services (non-resident fees) and property taxes. Revenue from contract services represented 25 percent of total revenue, and property taxes represented 71 percent of total revenue.
- As is typical of service agencies, salaries and benefits are a significant expense of the Library, representing 76 percent of the Library's total expenses. These expenses totaled \$3,026,309 for the year ending June 30, 2011 versus \$2,865,102 for the year ending June 30, 2010. The main reason for the increase from the prior year was the recognition of \$254,414 of post-retirement health insurance costs which are now required to be recorded by Governmental Accounting Standards Board Statement No. 45.

**The Library Funds:**

Our analyses of the Library's funds are included in the first four columns of pages 9 and 10 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, the Capital Fund, and the Debt Service Fund.

**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 \$141,471 favorable budget variance for library revenues. This 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, \$102,932 more in contract revenue was received than had been anticipated.
- In total, the budget section for salaries and wages was under spent by \$87,922. The Library attributes this to the fact that some staff positions that were open as a result of retirement or resignation were not filled. For the open positions that were filled, the replacements were paid at a lower, entry level pay rate.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

**Budgetary Highlights: (continued)**

- The employee benefit section was over spent by \$78,436. The majority of this variance was attributable to the retirement and health insurance increases being higher than what had been anticipated during budget preparation. Additionally, 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 \$52,640. The largest component of this variance was within the book 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. 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 telecommunication 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 was under spent by \$17,223. Despite the fact that the union contract was still not signed, fewer legal services were required than had been anticipated.
- The budget line for building and grounds repair / improvement was under spent, and the building maintenance line was over spent. The Library attributes both of these variances to the fact that the staff concentrated more on building maintenance in order to avoid costly repairs. Overall, this appears to have created substantial savings.
- The service contracts budget line was under spent by \$17,396. The Library eliminated service contracts that were deemed to be unnecessary, and negotiated better rates for the contracts they decided to keep. In addition, our maintenance staff has taken on the tasks of servicing areas that had been previously covered by contracts.
- The capital outlay budget section was under spent by \$13,475. The Library created a replacement schedule to help it use its furniture and equipment for longer periods of time. Accordingly, the Library did not replace as much as it had originally planned.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

**Capital Assets and Debt Administration:**

During the fiscal year ending June 30, 2011 the Library purchased \$11,225 of fixed assets (capital outlay). The purchases were for a variety of items such as computer equipment, storage carts, a vacuum, etc. The Library also discarded broken or obsolete computer equipment that had an original cost of \$6,000.

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, 2011 was \$120,328. This represents an increase of \$13,952 from the previous year. The obligation for other post-employment benefits at June 30, 2011 was \$501,805. This represents an increase of \$254,414 from the previous year.

**Currently Known Conditions:**

The Library budget vote for the 2011-2012 fiscal year was approved by the taxpayers. The anticipated tax revenues will be \$2,783,755. This represents a 1.2% increase over the 2010-2011 fiscal year budget.



**PORT JEFFERSON FREE LIBRARY  
STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2011**

	<b>General Fund</b>	<b>Capital Fund</b>	<b>Total</b>	<b>Adjustments (Note 11)</b>	<b>Statement of Net Assets</b>
<b>Assets:</b>					
Cash and cash equivalents					
Checking	\$ 286,558	\$ 296,683	\$ 583,241	\$	\$ 583,241
Money market and savings	3,225,492		3,225,492		3,225,492
Certificates of deposit	3,726		3,726		3,726
Petty cash	300		300		300
Total cash and cash equivalents	3,516,076	296,683	3,812,759	0	3,812,759
Payments in lieu of taxes receivable	112,762		112,762		112,762
Prepaid expenses	39,988		39,988		39,988
Internal receivables		11	11	(11)	
Other assets	4,775		4,775		4,775
Capital assets, net of depreciation				1,727,293	1,727,293
<b>Total Assets</b>	\$ 3,673,601	\$ 296,694	\$ 3,970,295	\$ 1,727,282	\$ 5,697,577
<b>Liabilities:</b>					
Accounts payable	\$ 30,991	\$	\$ 30,991	\$	\$ 30,991
Accrued retirement	63,210		63,210		63,210
Accrued payroll and taxes payable	81,130		81,130		81,130
Accrued insurance	1,419		1,419		1,419
Internal payables	11		11	(11)	
Non-current liabilities:					
Compensated absences payable				120,328	120,328
Obligation for other post-employment benefits				501,805	501,805
<b>Total Liabilities</b>	176,761	0	176,761	622,122	798,883
<b>Fund Balances/Net Assets:</b>					
Unassigned	1,768,877		1,768,877	(1,768,877)	
Assigned for capital projects		296,694	296,694	(296,694)	
Committed for specific purposes	1,684,509		1,684,509	(1,684,509)	
Restricted for vision impaired materials	3,466		3,466	(3,466)	
Nonspendable (prepaid amounts)	39,988		39,988	(39,988)	
<b>Total Fund Balance</b>	3,496,840	296,694	3,793,534	(3,793,534)	
<b>Total Liabilities And Fund Balances</b>	\$ 3,673,601	\$ 296,694	\$ 3,970,295		
<b>Net Assets:</b>					
Invested in capital assets, net of related debt				1,727,293	1,727,293
Restricted for vision impaired materials				3,466	3,466
Unrestricted				3,167,935	3,167,935
<b>Total Net Assets</b>				\$ 4,898,694	\$ 4,898,694

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, 2011**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Activities</u>
<b>Revenues:</b>					
Tax revenues	\$ 2,750,742	\$	\$ 2,750,742	\$	\$ 2,750,742
Payments in lieu of taxes	112,762		112,762		112,762
Contract services	979,132		979,132		979,132
State aid and other grants	1,938		1,938		1,938
Fines	8,060		8,060		8,060
Lost and damaged materials	6,449		6,449		6,449
Copier revenue	5,818		5,818		5,818
Interest and dividends	12,107	378	12,485		12,485
Gifts and donations	1,623		1,623		1,623
Programs	17,499		17,499		17,499
Miscellaneous revenue	3,083		3,083		3,083
<b>Total Revenues</b>	<u>3,899,213</u>	<u>378</u>	<u>3,899,591</u>	<u>0</u>	<u>3,899,591</u>
<b>Expenditures/Expenses For Library Services:</b>					
Salaries and wages	2,089,350		2,089,350	12,961	2,102,311
Employee benefits	668,592		668,592	255,405	923,997
Library materials and programs	498,060		498,060		498,060
Library operations	152,390		152,390		152,390
Building operations	195,436	595	196,031		196,031
Capital outlay	11,225		11,225	(11,225)	
Depreciation				102,362	102,362
<b>Total Expenditures/Expenses</b>	<u>3,615,053</u>	<u>595</u>	<u>3,615,648</u>	<u>359,503</u>	<u>3,975,151</u>
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	284,160	(217)	283,943	(359,503)	
<b>Other Financing Sources/Uses:</b>					
Transfers- internal activities	(129,493)	129,493	0		
<b>Excess (Deficiency) Of Revenues And Transfers In Over Expenditures</b>	154,667	129,276	283,943	(283,943)	
<b>Change In Net Assets</b>				(75,560)	(75,560)
Fund balance/net assets- beginning of the year	3,342,173	167,418	3,509,591	1,464,663	4,974,254
<b>Fund Balance/Net Assets- End Of The Year</b>	<u>\$ 3,496,840</u>	<u>\$ 296,694</u>	<u>\$ 3,793,534</u>	<u>\$ 1,105,160</u>	<u>\$ 4,898,694</u>

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

**BALDESSARI & COSTER LLP**

**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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 Assets 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 Assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library’s net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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.

**Debt Service Fund:** This fund is used to account for the accumulation of resources for, and the payment of general long-term debt and interest.

**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.

**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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 Assets:** When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Library's policy is to apply restricted net assets 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.

**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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, 2011, the Library had \$3,726 invested in Certificates of Deposit. The details are as follows:

<u>Bank</u>	<u>Date of Purchase</u>	<u>Date of Maturity</u>	<u>Rate of Investment</u>	<u>Balance as of 6/30/2011</u>
TD Bank	06/30/11	06/29/12	0.05%	\$ <u><u>3,726</u></u>

**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 \$3,812,459 (excludes petty cash) and the bank balance was \$3,854,804. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance of \$3,354,804 was covered by collateral held by the Library's agent.

**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 4: Capital Assets**

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

	<u>Balance as of 7/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of 6/30/2011</u>
<b>Assets not being depreciated:</b>				
Fine arts	\$ 1,475	\$ 0	\$ 0	\$ 1,475
Land	289,346	0	0	289,346
<b>Other Capital Assets:</b>				
Computer equipment	170,699	9,131	(6,000)	173,830
Other equipment	318,197	691	0	318,888
Furniture and fixtures	425,794	1,403	0	427,197
Leasehold improvements	74,555	0	0	74,555
Building improvements	<u>2,569,987</u>	<u>0</u>	<u>0</u>	<u>2,569,987</u>
Total	3,850,053	11,225	(6,000)	3,855,278
Accumulated depreciation	<u>(2,031,623)</u>	<u>(102,362)</u>	<u>6,000</u>	<u>(2,127,985)</u>
Net Book Value	<u>\$ 1,818,430</u>	<u>\$ (91,137)</u>	<u>\$ 0</u>	<u>\$ 1,727,293</u>

**NOTE 5: Accounts Payable**

Accounts payable consisted of unpaid invoices at June 30, 2011.

**NOTE 6: Compensated Absences Payable**

The Library has an accumulated liability as of June 30, 2011 for unused sick and vacation pay amounting to \$120,328. This represents an increase of \$13,952 from the previous year. No portion of this liability is expected to be paid out during the next twelve months.

**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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, and 2) employees who joined the Retirement System after December 31, 2009 who contribute 3% of their salary in perpetuity. 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 \$205,720, for 2010 it was \$118,680 and for 2009 it was \$112,831.

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



**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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, 2011, the Library recognized the cost of providing health insurance by recording its share of retiree insurance premiums of \$63,746 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 \$11,003. 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 2009 annual medical premiums of:

	<u>Individual</u>	<u>Family</u>	<u>Family With Two Medicare Participants</u>	<u>Family With One Medicare Participant</u>
Empire	\$ 7,183	\$ 15,386		
Empire Medicare	\$ 4,311		\$ 9,641	\$ 12,514

**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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	\$ 335,051
Interest on net OPEB obligation	9,896
Adjustment to annual required contribution	<u>(10,357)</u>
Annual OPEB cost (expense)	334,590
Contributions made	<u>(80,176)</u>
Increase in net OPEB obligation	254,414
Net OPEB obligation - beginning of year	<u>247,391</u>
Net OPEB obligation - end of year	<u>\$ 501,805</u>

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2011 is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	<u>Covered Payroll</u>	<u>OPEB Cost % Of Pay</u>
6/30/2011	\$ 334,589	24.0%	\$ 501,805	\$ 1,430,764	23.4%

**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

- D. Funded Status and Funded Progress:** As of June 30, 2011, the actuarial accrued liability for benefits, based upon the valuation date of July 1, 2009 was \$3,080,073, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,430,764, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 215.27 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.

**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**E. Methods and Assumptions: (Continued)**

*Retirement rates:*

<u>Age</u>	<u>Rate</u>
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.

<u>Age</u>	<u>Rate</u>
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:

<u>Year</u>	<u>Rates</u>
2009	9.0%
2010	8.0%
2011	7.0%
2012	6.0%
2013	5.5%
2014	5.0%

*Participant salary increases* – 3.50% annually.

*Payroll growth rate* – 2.50% annually.

**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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 29 years. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years.

**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 9: Funds Committed For Specific Purposes**

A summary of changes in designated funds for the fiscal year ending June 30, 2011 is as follows:

	<u>Balance as of 6/30/2010</u>	<u>Funds Committed (Uncommitted)</u>	<u>Funds Received (Expended)</u>	<u>Balance as of 6/30/2011</u>
<b>Funds Committed For:</b>				
Computers	\$ 101,055	\$ 0	\$ 0	\$ 101,055
Special projects	137,760	0	0	137,760
Budget stabilization fund	740,071	0	0	740,071
Retirement	101,232	0	0	101,232
Roof repair	85,000	0	0	85,000
Building and grounds	170,000	0	0	170,000
Compensated absences	102,000	0	0	102,000
Other post-employment benefits	145,173	102,218	0	247,391
	<u>1,582,291</u>	<u>102,218</u>	<u>0</u>	<u>1,684,509</u>
Total	\$ <u>1,582,291</u>	\$ <u>102,218</u>	\$ <u>0</u>	\$ <u>1,684,509</u>

**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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 2011, 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, 2011 the Library made rental payments for the equipment of \$18,173 and for the space at 150 East Main Street of \$46,748.

The future minimum lease commitments are detailed as follows:

<u>Year Ending June 30,</u>	<u>Office Equipment</u>	<u>150 East Main Street</u>	<u>Total Minimum Commitment</u>
2012	\$ 15,816	\$ 40,869	\$ 56,685
2013	1,391	38,328	39,719
2014	1,391	39,287	40,678
2015	1,391	40,269	41,660
2016	1,391	41,276	42,667
2017	0	13,871	13,871
	<u>\$ 21,380</u>	<u>\$ 213,900</u>	<u>\$ 235,280</u>

**PORT JEFFERSON FREE LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**Total Fund Balance - Modified Accrual Basis** \$ 3,793,534

Amounts reported in the statement of net assets are different because:

- Capital assets are not financial resources, and are not reported in the funds 1,727,293
- Compensated absences are included as a liability (120,328)
- Obligation for post-employment health insurance, to be paid in future periods is not reported in the funds (501,805)

**Total Net Assets - Full Accrual Basis** \$ 4,898,694

**Net Change in Fund Balance - Modified Accrual Basis** \$ 283,943

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 11,226
  - Depreciation expense (102,362)
- (Increase)/decrease in the accruals for items reported as expenditures in the statements of activities, not in the fund statements:
  - Compensated absences (13,953)
  - Post-employment health costs (254,414)

**Change In Net Assets - Full Accrual Basis** \$ (75,560)



**PORT JEFFERSON FREE LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Balances</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
<b>Tax Related Items:</b>				
Tax revenues	\$ 2,750,742	\$ 2,750,742	\$ 2,750,742	\$ 0
Payments in lieu of taxes	85,000	85,000	112,762	27,762
<b>Total Tax Related Items</b>	<u>2,835,742</u>	<u>2,835,742</u>	<u>2,863,504</u>	<u>27,762</u>
 <b>Operating Revenue:</b>				
Contract services	876,200	876,200	979,132	102,932
State aid and other grants	3,200	3,200	1,938	(1,262)
Fines	3,500	3,500	8,060	4,560
Lost and damaged materials	4,000	4,000	6,449	2,449
Copier revenue	4,000	4,000	5,818	1,818
Interest and dividends	18,000	18,000	12,107	(5,893)
Gifts and donations	1,000	1,000	1,623	623
Programs	12,000	12,000	17,499	5,499
Miscellaneous	100	100	3,083	2,983
<b>Total Operating Revenue</b>	<u>922,000</u>	<u>922,000</u>	<u>1,035,709</u>	<u>113,709</u>
 <b>Total Revenues</b>	 <u>\$ 3,757,742</u>	 <u>\$ 3,757,742</u>	 <u>\$ 3,899,213</u>	 <u>\$ 141,471</u>

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

**PORT JEFFERSON FREE LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Balances</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures:</b>				
<b>Salaries and Wages:</b>				
Professional	\$ 990,157	\$ 990,157	\$ 957,312	\$ 32,845
Clerical	1,001,543	1,001,543	960,540	41,003
Custodial	142,633	142,633	141,098	1,535
Security	42,939	42,939	30,400	12,539
<b>Total Salaries and Wages</b>	<u>2,177,272</u>	<u>2,177,272</u>	<u>2,089,350</u>	<u>87,922</u>
<b>Employee Benefits:</b>				
Retirement	185,437	185,437	217,500	(32,063)
Payroll taxes	166,561	166,561	162,242	4,319
Workers compensation	0	0	16,712	(16,712)
Employee insurance benefits	238,158	238,158	272,138	(33,980)
<b>Total Employee Benefits</b>	<u>590,156</u>	<u>590,156</u>	<u>668,592</u>	<u>(78,436)</u>
<b>Library Materials And Programs</b>				
Books	249,000	249,000	189,072	59,928
Audio visuals	82,000	82,000	67,911	14,089
Periodicals / print and non-print	48,500	48,500	52,988	(4,488)
Computer services / OPAC / basic service fee	75,000	75,000	84,454	(9,454)
Bindery	500	500	143	357
AV licenses	700	700	360	340
Programs and program supplies	95,000	95,000	103,132	(8,132)
<b>Total Library Materials And Programs</b>	<u>550,700</u>	<u>550,700</u>	<u>498,060</u>	<u>52,640</u>
<b>Library Operations:</b>				
Library and office supplies	21,500	21,500	24,354	(2,854)
Telecommunications	27,500	27,500	13,920	13,580
Postage and shipping	18,900	18,900	15,328	3,572
Publicity and printing	31,000	31,000	30,046	954
Conference and travel	8,000	8,000	4,603	3,397
Professional fees and dues	51,063	51,063	33,840	17,223
Library insurance	28,028	28,028	28,399	(371)
Minor furniture and equipment	0	0	1,751	(1,751)
Miscellaneous	0	0	149	(149)
<b>Total Library Operations</b>	<u>\$ 185,991</u>	<u>\$ 185,991</u>	<u>\$ 152,390</u>	<u>\$ 33,601</u>

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

**PORT JEFFERSON FREE LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Balances</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures: (continued)</b>				
<b>Building Operations:</b>				
Utilities	\$ 85,175	\$ 85,175	\$ 80,858	\$ 4,317
Building and grounds repair/improvement	30,000	30,000	6,967	23,033
Equipment rental and repair	25,000	25,000	26,641	(1,641)
Service contracts	30,000	30,000	12,604	17,396
Building maintenance	12,000	12,000	21,618	(9,618)
Rent - 150 East Main Street	46,748	46,748	46,748	0
<b>Total Building Operations</b>	<u>228,923</u>	<u>228,923</u>	<u>195,436</u>	<u>33,487</u>
<b>Capital Outlay:</b>				
Building improvements	0	0	0	0
Equipment, furniture and fixtures	24,700	24,700	11,225	13,475
<b>Total Capital Outlay</b>	<u>24,700</u>	<u>24,700</u>	<u>11,225</u>	<u>13,475</u>
<b>Total Expenditures</b>	<u>3,757,742</u>	<u>3,757,742</u>	<u>3,615,053</u>	<u>142,689</u>
<b>Excess Of Revenues Over Expenditures</b>	<u>0</u>	<u>0</u>	<u>284,160</u>	<u>284,160</u>
<b>Other Financing Sources (Uses):</b>				
Transfer to Capital Fund	0	0	(129,493)	(129,493)
<b>Excess Of Revenues And Other Financing Sources Over Expenditures</b>	<u>0</u>	<u>0</u>	<u>154,667</u>	<u>154,667</u>
Budgetary fund balance- beginning of year	<u>3,342,173</u>	<u>3,342,173</u>	<u>3,342,173</u>	<u>3,342,173</u>
<b>Budgetary Fund Balance- End Of Year</b>	<u>\$ 3,342,173</u>	<u>\$ 3,342,173</u>	<u>\$ 3,496,840</u>	<u>\$ 3,496,840</u>

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

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (d)</u>	<u>UAAL as a percentage of Covered Payroll ((b - a) / d)</u>
12/31/2009	\$ 0	\$ 3,080,073	\$ 3,080,073	0.0%	\$ 1,395,867	220.7%

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

**BALDESSARI & COSTER LLP**