

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Management's Discussion and
Analysis, Financial Statements and
Supplemental Information

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 8
Basic Financial Statements:	
Statements of Net Assets	9 - 10
Statements of Activities	11 - 12
Balance Sheets - Governmental Funds	13 - 14
Statements of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	15 - 16
Reconciliation of Governmental Funds Balance Sheets to Statements of Net Assets	17 - 18
Reconciliation of Governmental Funds Statements of Revenue, Expenditures and Changes in Fund Balance to Statements of Activities	19 - 20
Notes to Financial Statements	21 - 35
Required Supplementary Information - Schedule of Revenue, Expenditures and Changes in Fund Balance Compared to Budget - General Fund	36
Supplementary Information - Schedule of Balance Sheets - Permanent Funds	37
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	38 - 39

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Poughkeepsie Public Library District:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of Poughkeepsie Public Library District (the District) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of Poughkeepsie Public Library District as of December 31, 2009 and 2008, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 3, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As discussed in note 11 to the financial statements, in 2009 the District adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions."

Management's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental information on page 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Toski, Schaefer & Co., P.C.

Williamsville, New York
April 3, 2010

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Management's Discussion and Analysis

December 31, 2009 and 2008

Our discussion and analysis of the Poughkeepsie Public Library District's (the District) financial performance provides readers an overview of the District's financial activities for the year ended December 31, 2009. It is a summary of the District's financial activities based on facts, decisions and conditions known as of April 3, 2010. It is also based on the District's district-wide and fund-based financial statements.

The Management's Discussion and Analysis is required supplementary information that should be read in conjunction with the District's financial statements.

Financial Highlights

The District's net assets increased from \$4,004,812 at December 31, 2008 to \$4,255,862 at December 31, 2009, mainly as a result of the completion of the capital expansion project. The District's total governmental funds reported an ending fund balance of \$1,408,788 compared to last year's balance of \$810,944. The District's total bonded debt increased by \$5,575,000 as the remaining bond anticipation note was replaced with a bond.

Overview of the Financial Statements

The annual report begins with management's discussion and analysis of the District's financial performance as of the date of the financial statements. It is intended to be an introduction to the financial statements. The statements of net assets (pages 9 and 10) and the statements of activities (pages 11 and 12) provide information about the District's activities and a long-term view of its financial position. The fund-financial statements (pages 13 - 20) provide detail of the District's operations.

The financial statements also include notes (pages 21 - 35) that explain some of the information in the statements with more detailed data.

Required supplementary information (page 36) provides further explanation and support for the financial statements with a comparison to the District's budget for the year.

Statements of Net Assets and Statements of Activities

The statements of net assets and the statements of activities provide information about the District as a whole and its activities. These statements include all assets and liabilities using the accrual method of accounting. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets, the District's assets minus its liabilities, are one way to measure the District's financial position over time. To assess the District's overall financial health, other non-financial factors need to be considered, such as changes in the tax base and condition of or improvements to buildings.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
Management's Discussion and Analysis, Continued

In the statements of net assets and the statements of activities, the District's activities are shown as primary government. These activities are financed mainly through property taxes, and State and County aid. The component unit of the District, the Friends of the Poughkeepsie Public Library District, is presented to the right of the District's totals on these district-wide statements.

Fund-Financial Statements

The fund-financial statements provide detailed information about the District's major funds, not the District as a whole. The District's services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end. These funds are reported using the modified accrual basis of accounting, which measures cash and current assets (assets easily converted to cash). This provides a short-term view of the District's general operations and services it provides. The reconciliation statements (pages 17 through 20) help explain the relationship between the governmental funds (short-term view) and the statements of net assets and statement of activities (overall financial position).

Financial Analysis of the District as a Whole

These statements include all assets and liabilities using the full accrual basis of accounting, showing all the current year activity regardless of when cash was received or paid. The District's net assets increased by \$251,050. Current assets decreased and capital assets increased as construction was completed. Current and long-term liabilities shifted as the bond anticipation note was replaced with a bond. Comparative analysis is provided below.

	<u>Statements of Net Assets - Government-wide</u>			
	<u>12/31/09</u>	<u>12/31/08</u>	<u>Change</u>	<u>Percentage change</u>
Current and other assets	\$ 2,024,644	8,369,824	(6,345,180)	(75.81%)
Capital assets, net	<u>17,206,208</u>	<u>11,530,594</u>	<u>5,675,614</u>	49.22%
Total assets	<u>\$ 19,230,852</u>	<u>19,900,418</u>	<u>(669,566)</u>	(3.36%)
Current liabilities	834,770	7,528,512	(6,693,742)	(88.91%)
Long-term liabilities	<u>14,140,220</u>	<u>8,367,094</u>	<u>5,773,126</u>	69.00%
Total liabilities	<u>14,974,990</u>	<u>15,895,606</u>	<u>(920,616)</u>	(5.79%)
Net assets:				
Invested in capital assets net of debt	3,497,349	3,402,266	95,083	2.79%
Restricted for library materials	531,188	600,134	(68,946)	(11.49%)
Restricted for capital	377,030	377,030	-	-
Restricted for debt	-	100,697	(100,697)	(100.00%)
Unrestricted (deficit)	<u>(149,705)</u>	<u>(475,315)</u>	<u>325,610</u>	68.50%
Total net assets	<u>\$ 4,255,862</u>	<u>4,004,812</u>	<u>251,050</u>	6.27%

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
Management's Discussion and Analysis, Continued

Governmental Activities

Total revenues increased from 2008, as the bond debt service levy is recognized, offsetting some funding decreases. The District's main source of revenue is derived from property taxes. Since the District must rely heavily on voter approval for funding levels, management of the resources is of paramount concern to the District's administration and the voting public.

Total expenses increased \$600,035, primarily attributable to debt services.

The table below reflects revenue and costs of providing library services. General revenue including tax revenue, use of money and property, and State and County sources, primarily support the cost of providing services. Local property taxes constituted 81% of the District's total revenue in 2009; in 2008 it was 72%. This increase is due to 2009 being the first year of full debt service on the bonds for the capital expansion project.

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Program revenue:			
Charge for services	\$ 68,377	52,084	16,293
Operating grants and contributions	589,895	828,249	(238,354)
Capital grants	-	67,900	(67,900)
General revenue:			
Property taxes	4,468,275	3,810,556	657,719
Use of money and property	102,047	276,641	(174,594)
State sources	<u>260,232</u>	<u>286,239</u>	<u>(26,007)</u>
Total revenue	5,488,826	5,321,669	167,157
Expenses - culture and recreation	<u>5,237,776</u>	<u>4,637,741</u>	<u>600,035</u>
Change in net assets	251,050	683,928	(432,878)
Net assets at beginning of year	<u>4,004,812</u>	<u>3,320,884</u>	<u>683,928</u>
Net assets at end of year	\$ <u>4,255,862</u>	<u>4,004,812</u>	<u>251,050</u>

Library District's Government Funds

The total assets and liabilities of the District changed from 2008 as follows:

	<u>12/31/09</u>	<u>12/31/08</u>	<u>Change</u>	<u>Percentage change</u>
Assets:				
General (governmental) fund	\$ 359,880	323,985	35,895	11.08%
Capital projects fund	760,460	7,129,216	(6,368,756)	(89.33%)
Special revenue (expendable trusts)	439,365	526,534	(87,169)	(16.56%)
Permanent funds (non-expendable trusts)	<u>469,067</u>	<u>515,116</u>	<u>(46,049)</u>	<u>(8.94%)</u>
Total assets	\$ <u>2,028,772</u>	<u>8,494,851</u>	<u>(6,466,079)</u>	<u>(76.12%)</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
Management's Discussion and Analysis, Continued

	<u>12/31/09</u>	<u>12/31/08</u>	<u>Change</u>	<u>Percentage change</u>
Liabilities:				
General (governmental) fund	\$ 297,513	612,888	(315,375)	(51.46%)
Capital projects fund	322,257	7,006,533	(6,684,276)	(95.40%)
Special revenue (expendable trusts)	-	18,223	(18,223)	(100.00%)
Permanent funds (non-expendable trusts)	<u>214</u>	<u>46,263</u>	<u>(46,049)</u>	(99.54%)
Total liabilities	\$ <u>619,984</u>	<u>7,683,907</u>	<u>(7,063,923)</u>	(91.93%)
Fund balance:				
General (governmental) fund	62,367	(288,903)	351,270	121.58%
Capital projects fund	438,203	122,683	315,520	257.18%
Special revenue (expendable trusts)	439,365	508,311	(68,946)	(13.56%)
Permanent funds (non-expendable trusts)	<u>468,853</u>	<u>468,853</u>	<u>-</u>	-
Total fund balance	<u>1,408,788</u>	<u>810,944</u>	<u>597,844</u>	73.72%
Total liabilities and fund balance	\$ <u>2,028,772</u>	<u>8,494,851</u>	<u>(6,466,079)</u>	(76.12%)

As shown in the table above, liabilities and assets decreased in the capital project fund as capital project liabilities were paid. In the general fund, liabilities decreased because of the payoff of the bond anticipation note and the December payment of the accrued NYS retirement system liability.

Total governmental funds revenue and expenditures changed from the prior year as follows:

	<u>12/31/09</u>	<u>12/31/08</u>	<u>Change</u>	<u>Percentage change</u>
Revenue and other sources:				
Real property taxes	\$ 4,468,275	3,810,556	657,719	17.26%
Departmental income	68,377	52,084	16,293	31.28%
Use of money and property	102,047	276,641	(174,594)	(63.11%)
Miscellaneous local sources	637,220	874,557	(237,337)	(27.14%)
State sources	<u>260,232</u>	<u>286,239</u>	<u>(26,007)</u>	(9.09%)
Total revenue	<u>5,536,151</u>	<u>5,300,077</u>	<u>236,074</u>	4.45%
Expenditures:				
Culture and recreation	3,660,570	3,477,637	182,933	5.26%
Employee benefits	651,564	769,007	(117,443)	(15.27%)
Capital expenditures	5,637,654	7,516,636	(1,878,982)	(25.00%)
Debt service	<u>1,038,371</u>	<u>706,541</u>	<u>331,830</u>	46.97%
Total expenditures	<u>10,988,159</u>	<u>12,469,821</u>	<u>(1,481,662)</u>	(11.88%)
Deficiency of revenue over expenditures	<u>(5,452,008)</u>	<u>(7,169,744)</u>	<u>1,717,736</u>	(23.96%)

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
Management's Discussion and Analysis, Continued

	<u>12/31/09</u>	<u>12/31/08</u>	<u>Change</u>	<u>Percentage change</u>
Other financing sources (uses):				
Interfund transfers - in	\$ 227,766	106,584	121,182	113.70%
Interfund transfers - out	(227,766)	(106,584)	(121,182)	113.70%
Proceeds from serial bond	6,049,852	8,465,148	(2,415,296)	(28.53%)
Premium on obligations	<u> -</u>	<u> 100,697</u>	<u>(100,697)</u>	(100.00%)
Total other financing sources	<u>6,049,852</u>	<u>8,565,845</u>	<u>(2,515,993)</u>	(29.37%)
Net change in fund balance	\$ <u>597,844</u>	<u>1,396,101</u>	<u>(798,257)</u>	(57.18%)

Financial Analysis of the District's Funds

General Fund Budgetary Highlights

The laws in New York State require voter approval for the general fund operating budget.

The District's budget is prepared in accordance with New York State statute and is based upon the modified accrual basis of accounting. The measurement focus is consistent with recognition of cash assets and liabilities as well as those assets and liabilities that can be readily converted into cash within a reasonable period of time. This method utilizes cash receipts, disbursements and encumbrances. The only legally adopted budget in the District is the budget for the general fund.

The governmental funds report a combined surplus of \$597,844, a decrease of \$798,257 due primarily to the capital project coming to a close and the use of interest earnings for bond debt service.

Capital Asset and Debt Administration

Capital Assets

The District has completed the renovation of the Adriance site and continues searching for a new site in the Town of Poughkeepsie. Acquisitions of library materials, equipment and improvements throughout the District totaled \$6,191,587 in 2009. Depreciation expense for 2009 was \$493,941.

Debt

The District ended 2009 with no balance on its tax anticipation line of credit, but extended the agreement until 2010. In 2009, the District received \$6,049,852 in bond proceeds.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
Management's Discussion and Analysis, Continued

Notable Events of 2009

- The District vacated the temporary quarters on Bancroft Road and returned to the renovated 93 Market Street location. The building was well received by the community.
- The District again received a grant to participate in the National Arts Midwest Big Read Program. The program has been a huge public success and the District has already been notified it will be a participant in 2010.
- Construction has been completed on the renovation and expansion of the Adriance site.
- Significant increases in the rental of the Arlington site and in fuel and utility costs were an impact on the 2009 and 2010 budgets.

Economic Factors Bearing on the District's Future

The District's management considers many factors when setting the 2010 and 2011 budgets.

- Decisions to continue existing programs or create new programs will have an impact on the District's financial position. The District continues to assess the financial viability and positive public impact of its programs.
- The opening of the expanded Adriance building in late 2009 will impact the District's operating expenses in 2010 due to increase staffing and security needs, increased use by public and the effect of lower heating costs offset by increased electrical costs.
- A new labor agreement was signed in January 2008 which increases the District's expenses through 2010.
- New York State has reported significant losses on retirement investments which will lead to higher increases in the retirement contributions required by the New York State Retirement System and must be accommodated for in future budgets.
- Approximately 50% of the existing workforce falls within five years of the minimum retirement age and will be eligible to draw accrued postemployment benefits.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administrative Office, Poughkeepsie Public Library District, 93 Market Street, Poughkeepsie, New York 12601.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
Statement of Net Assets
December 31, 2009

	Primary <u>Government</u> Governmental <u>Activities</u>	Component <u>Unit</u> Friends of <u>PPLD, Inc.</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and equivalents	\$ 203,110	110,779	313,889
Cash and equivalents - restricted	865,211	-	865,211
Accounts and grants receivable	207,349	-	207,349
Pledges receivable	50,000	-	50,000
Prepaid items	<u>33,821</u>	<u>-</u>	<u>33,821</u>
Total current assets	<u>1,359,491</u>	<u>110,779</u>	<u>1,470,270</u>
Noncurrent assets:			
Investments	519,067	-	519,067
Capital assets, net	17,206,208	-	17,206,208
Unamortized bond issuance costs	<u>146,086</u>	<u>-</u>	<u>146,086</u>
Total noncurrent assets	<u>17,871,361</u>	<u>-</u>	<u>17,871,361</u>
Total assets	<u>\$ 19,230,852</u>	<u>110,779</u>	<u>19,341,631</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	419,770	10,327	430,097
Pledges payable	-	50,000	50,000
Bonds payable	<u>415,000</u>	<u>-</u>	<u>415,000</u>
Total current liabilities	834,770	60,327	895,097
Compensated absences	344,733	-	344,733
Bonds payable	13,410,000	-	13,410,000
Other postemployment benefits	355,542	-	355,542
Unamortized bond premium	<u>29,945</u>	<u>-</u>	<u>29,945</u>
Total liabilities	<u>14,974,990</u>	<u>60,327</u>	<u>15,035,317</u>
Net assets:			
Investments in capital assets, net of related debt	3,497,349	-	3,497,349
Restricted:			
Expendable - restricted for library materials	439,365	-	439,365
Nonexpendable:			
Restricted for library materials	91,823	-	91,823
Restricted for capital	377,030	-	377,030
Unrestricted (deficit)	<u>(149,705)</u>	<u>50,452</u>	<u>(99,253)</u>
Total net assets	<u>4,255,862</u>	<u>50,452</u>	<u>4,306,314</u>
Total liabilities and net assets	<u>\$ 19,230,852</u>	<u>110,779</u>	<u>19,341,631</u>

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Statement of Net Assets

December 31, 2008

	Primary <u>Government</u> Governmental <u>Activities</u>	Component <u>Unit</u> Friends of <u>PPLD, Inc.</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and equivalents	\$ 95,585	93,929	189,514
Cash and equivalents - restricted	7,145,637	-	7,145,637
Accounts and grants receivable	273,643	-	273,643
Other receivables	50,000	-	50,000
Prepaid items	39,475	-	39,475
Total current assets	<u>7,604,340</u>	<u>93,929</u>	<u>7,698,269</u>
Noncurrent assets:			
Investments	565,116	-	565,116
Capital assets, net	11,530,594	-	11,530,594
Pledges receivable	47,325	-	47,325
Unamortized bond issuance costs	153,043	-	153,043
Total noncurrent assets	<u>12,296,078</u>	<u>-</u>	<u>12,296,078</u>
Total assets	<u>\$ 19,900,418</u>	<u>93,929</u>	<u>19,994,347</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	1,258,660	529	1,259,189
Pledges payable	-	50,000	50,000
Bond anticipation notes payable	6,049,852	-	6,049,852
Bonds payable	220,000	-	220,000
Total current liabilities	7,528,512	50,529	7,579,041
Compensated absences	305,723	-	305,723
Bonds payable	8,030,000	-	8,030,000
Pledges payable	-	48,519	48,519
Unamortized bond premium	31,371	-	31,371
Total liabilities	<u>15,895,606</u>	<u>99,048</u>	<u>15,994,654</u>
Net assets:			
Investments in capital assets, net of related debt	3,402,266	-	3,402,266
Restricted:			
Expendable:			
Restricted for library materials	508,311	-	508,311
Restricted for debt	100,697	-	100,697
Nonexpendable:			
Restricted for library materials	91,823	-	91,823
Restricted for capital	377,030	-	377,030
Unrestricted (deficit)	<u>(475,315)</u>	<u>(5,119)</u>	<u>(480,434)</u>
Total net assets	<u>4,004,812</u>	<u>(5,119)</u>	<u>3,999,693</u>
Total liabilities and net assets	<u>\$ 19,900,418</u>	<u>93,929</u>	<u>19,994,347</u>

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Statement of Activities

Year ended December 31, 2009

	<u>Program Revenue</u>			
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Net (expense) revenue and changes in net assets</u>
<u>Functions/Programs</u>				<u>Primary government</u>
				<u>Governmental activities</u>
				<u>Component unit</u>
Primary government - governmental activities - culture and recreation	<u>\$ 5,237,776</u>	<u>68,377</u>	<u>589,895</u>	<u>(4,579,504)</u>
Component unit - Friends of PPLD, Inc.	<u>\$ 88,997</u>	<u>2,665</u>	<u>141,530</u>	<u>55,198</u>
General revenue:				
Property taxes				4,468,275
Use of money and property				102,047
State sources				260,232
				<u>4,830,554</u>
Total general revenue				<u>373</u>
Change in net assets				251,050
Net assets at beginning of year				4,004,812
Net assets at end of year				<u>(5,119)</u>
				<u>\$ 4,255,862</u>
				<u>50,452</u>

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
Statement of Activities
Year ended December 31, 2008

	Program Revenue				Net (expense) revenue and changes in net assets
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Operating charges for services</u>	<u>Capital grants and contribution</u>	<u>Primary governmental activities</u>	<u>Component unit</u>
Primary government - governmental activities - culture and recreation	\$ 4,637,741	52,084	828,249	(3,689,508)	
Component unit - Friends of PPLD, Inc.	\$ 99,024	2,269	120,877		24,122
General revenue:					
Property taxes				3,810,556	-
Use of money and property				276,641	332
State sources				286,239	-
Total general revenue				4,373,436	332
Change in net assets				683,928	24,454
Net assets at beginning of year				3,320,884	(29,573)
Net assets at end of year				\$ 4,004,812	(5,119)

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
Balance Sheet - Governmental Funds
December 31, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Permanent Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Unrestricted cash and equivalents	\$ 203,110	-	-	-	203,110
Restricted cash and equivalents	-	626,060	239,151	-	865,211
Due from other funds	-	-	150,214	-	150,214
Grants receivable and other	122,949	84,400	-	-	207,349
Pledges receivable	-	50,000	-	-	50,000
Prepaid expenses	33,821	-	-	-	33,821
Investments	-	-	50,000	469,067	519,067
Total assets	<u>\$ 359,880</u>	<u>760,460</u>	<u>439,365</u>	<u>469,067</u>	<u>2,028,772</u>
Liabilities and fund balance:					
Liabilities:					
Accounts payable	41,094	88,906	-	-	130,000
Accrued liabilities	106,419	183,351	-	-	289,770
Deferred revenue	-	50,000	-	-	50,000
Due to other funds	<u>150,000</u>	-	-	214	<u>150,214</u>
Total liabilities	<u>297,513</u>	<u>322,257</u>	<u>-</u>	<u>214</u>	<u>619,984</u>
Fund balance:					
Reserved for:					
Encumbrances	104,209	275,801	-	-	380,010
Capital	-	-	-	377,030	377,030
Library materials	-	-	439,365	91,823	531,188
Total reserved	<u>104,209</u>	<u>275,801</u>	<u>439,365</u>	<u>468,853</u>	<u>1,288,228</u>
Unreserved - undesignated	<u>(41,842)</u>	<u>162,402</u>	<u>-</u>	<u>-</u>	<u>120,560</u>
Total fund balance	<u>62,367</u>	<u>438,203</u>	<u>439,365</u>	<u>468,853</u>	<u>1,408,788</u>
Total liabilities and fund balance	<u>\$ 359,880</u>	<u>760,460</u>	<u>439,365</u>	<u>469,067</u>	<u>2,028,772</u>

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
Balance Sheet - Governmental Funds
December 31, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Permanent Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Unrestricted cash and equivalents	\$ 95,585	-	-	-	95,585
Restricted cash and equivalents	-	6,915,366	230,271	-	7,145,637
Due from other funds	31,807	-	246,263	-	278,070
Grants receivable and other	196,593	77,050	-	-	273,643
Pledges receivable	-	97,325	-	-	97,325
Prepaid expenses	-	39,475	-	-	39,475
Investments	-	-	50,000	515,116	565,116
Total assets	<u>\$ 323,985</u>	<u>7,129,216</u>	<u>526,534</u>	<u>515,116</u>	<u>8,494,851</u>
Liabilities and fund balance:					
Liabilities:					
Accounts payable	28,036	845,772	-	-	873,808
Accrued liabilities	384,852	-	-	-	384,852
Bond anticipation notes payable	-	6,049,852	-	-	6,049,852
Deferred revenue	-	97,325	-	-	97,325
Due to other funds	200,000	13,584	18,223	46,263	278,070
Total liabilities	<u>612,888</u>	<u>7,006,533</u>	<u>18,223</u>	<u>46,263</u>	<u>7,683,907</u>
Fund balance (deficiency):					
Reserved for:					
Encumbrances	-	4,595,219	-	-	4,595,219
Capital	-	-	-	377,030	377,030
Library materials	-	-	508,311	91,823	600,134
Debt	-	100,697	-	-	100,697
Total reserved	-	4,695,916	508,311	468,853	5,673,080
Unreserved - undesignated	<u>(288,903)</u>	<u>(4,573,233)</u>	<u>-</u>	<u>-</u>	<u>(4,862,136)</u>
Total fund balance (deficiency)	<u>(288,903)</u>	<u>122,683</u>	<u>508,311</u>	<u>468,853</u>	<u>810,944</u>
Total liabilities and fund balance (deficiency)	<u>\$ 323,985</u>	<u>7,129,216</u>	<u>526,534</u>	<u>515,116</u>	<u>8,494,851</u>

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
Statement of Revenue, Expenditures and Changes in
Fund Balance - Governmental Funds
Year ended December 31, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Permanent Funds</u>	<u>Total Governmental Funds</u>
Revenue:					
Real property tax	\$ 4,468,275	-	-	-	4,468,275
Departmental income	68,377	-	-	-	68,377
Use of money and property	33,104	57,787	11,156	-	102,047
Miscellaneous local sources	422,988	207,003	7,229	-	637,220
State sources	260,232	-	-	-	260,232
Total revenue	<u>5,252,976</u>	<u>264,790</u>	<u>18,385</u>	<u>-</u>	<u>5,536,151</u>
Expenditures:					
Culture and recreation	3,428,686	231,734	150	-	3,660,570
Employee benefits	651,564	-	-	-	651,564
Capital expenditures	-	5,637,654	-	-	5,637,654
Debt service:					
Principal	474,852	-	-	-	474,852
Interest	563,519	-	-	-	563,519
Total expenditures	<u>5,118,621</u>	<u>5,869,388</u>	<u>150</u>	<u>-</u>	<u>10,988,159</u>
Excess (deficiency) of revenue over expenditures	<u>134,355</u>	<u>(5,604,598)</u>	<u>18,235</u>	<u>-</u>	<u>(5,452,008)</u>
Other financing sources (uses):					
Interfund transfers in	216,915	10,851	-	-	227,766
Interfund transfers out	-	(140,585)	(87,181)	-	(227,766)
Proceeds from serial bond	-	6,049,852	-	-	6,049,852
Total other financing sources (uses)	<u>216,915</u>	<u>5,920,118</u>	<u>(87,181)</u>	<u>-</u>	<u>6,049,852</u>
Net change in fund balance	<u>351,270</u>	<u>315,520</u>	<u>(68,946)</u>	<u>-</u>	<u>597,844</u>
Fund balance at beginning of year	<u>(288,903)</u>	<u>122,683</u>	<u>508,311</u>	<u>468,853</u>	<u>810,944</u>
Fund balance at end of year	<u>\$ 62,367</u>	<u>438,203</u>	<u>439,365</u>	<u>468,853</u>	<u>1,408,788</u>

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
Statement of Revenue, Expenditures and Changes in
Fund Balance - Governmental Funds
Year ended December 31, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Permanent Funds</u>	<u>Total Governmental Funds</u>
Revenue:					
Real property tax	\$ 3,810,556	-	-	-	3,810,556
Departmental income	52,084	-	-	-	52,084
Use of money and property	71,416	181,769	23,456	-	276,641
Miscellaneous local sources	391,275	277,164	205,118	1,000	874,557
State sources	286,239	-	-	-	286,239
Total revenue	<u>4,611,570</u>	<u>458,933</u>	<u>228,574</u>	<u>1,000</u>	<u>5,300,077</u>
Expenditures:					
Culture and recreation	3,309,804	167,833	-	-	3,477,637
Employee benefits	769,007	-	-	-	769,007
Capital expenditures	-	7,516,636	-	-	7,516,636
Debt service:					
Principal	215,148	-	-	-	215,148
Interest	491,393	-	-	-	491,393
Total expenditures	<u>4,785,352</u>	<u>7,684,469</u>	<u>-</u>	<u>-</u>	<u>12,469,821</u>
Excess (deficiency) of revenue over expenditures	<u>(173,782)</u>	<u>(7,225,536)</u>	<u>228,574</u>	<u>1,000</u>	<u>(7,169,744)</u>
Other financing sources (uses):					
Interfund transfers in	51,584	-	55,000	-	106,584
Interfund transfers out	(55,000)	(13,584)	(38,000)	-	(106,584)
Proceeds from serial bond	-	8,465,148	-	-	8,465,148
Premium on obligations	-	100,697	-	-	100,697
Total other financing sources (uses)	<u>(3,416)</u>	<u>8,552,261</u>	<u>17,000</u>	<u>-</u>	<u>8,565,845</u>
Net change in fund balance	(177,198)	1,326,725	245,574	1,000	1,396,101
Fund balance at beginning of year	(111,705)	(1,204,042)	262,737	467,853	(585,157)
Fund balance at end of year	<u>\$ (288,903)</u>	<u>122,683</u>	<u>508,311</u>	<u>468,853</u>	<u>810,944</u>

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 December 31, 2009

Total fund balances - governmental funds		\$ 1,408,788
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The assets consist of:		
Cost of capital assets	\$ 19,806,032	
Accumulated depreciation	<u>(2,599,824)</u>	17,206,208
Future contribution revenue not received within the period of availability for revenue recognition are not recorded as revenues in the governmental funds - the future amounts are deferred.		50,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. The liabilities consist of:		
Bonds payable	(13,825,000)	
Bond premiums	(29,945)	
Other postemployment benefits	(355,542)	
Bond issuance costs	146,086	
Compensated absences	<u>(344,733)</u>	<u>(14,409,134)</u>
Total net assets - governmental activities		<u>\$ 4,255,862</u>

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 December 31, 2008

Total fund balances - governmental funds		\$ 810,944
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The assets consist of:		
Cost of capital assets	\$ 15,189,815	
Accumulated depreciation	<u>(3,659,221)</u>	11,530,594
Future contribution revenue not received within the period of availability for revenue recognition are not recorded as revenues in the governmental funds - the future amounts are deferred.		97,325
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. The liabilities consist of:		
Bonds payable	(8,250,000)	
Bond premiums	(31,371)	
Bond issuance costs	153,043	
Compensated absences	<u>(305,723)</u>	<u>(8,434,051)</u>
Total net assets - governmental activities		<u>\$ 4,004,812</u>

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
 Reconciliation of Governmental Funds Statement of Revenue, Expenditures
 and Changes in Fund Balance to Statement of Activities
 Year ended December 31, 2009

Net change in fund balances - total governmental funds		\$ 597,844
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:		
Capital outlays	\$ 6,191,587	
Depreciation expense	<u>(493,941)</u>	
Excess of depreciation expense over capital outlay		5,697,646
Loss on disposals of capital assets		(22,032)
In the statement of activities, certain revenues are measured by the amount earned during the year. In the governmental funds, revenues for these items are measured by the amount of financial resources available within the period.		
		(47,325)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Bonds issued	(6,049,852)	
Recognition OPEB liability	(355,542)	
Amortization of premium and issuance costs	(5,531)	
Principal payments	474,852	
Change in long-term compensated absences	<u>(39,010)</u>	<u>(5,975,083)</u>
Total change in net assets		<u>\$ 251,050</u>

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
 Reconciliation of Governmental Funds Statement of Revenue, Expenditures
 and Changes in Fund Balance to Statement of Activities
 Year ended December 31, 2008

Net change in fund balances - total governmental funds \$1,396,101

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital outlays	\$ 7,914,017	
Depreciation expense	<u>(402,643)</u>	
Excess of depreciation expense over capital outlay		7,511,374

Loss on disposals of capital assets (28,114)

In the statement of activities, certain revenues are measured by the amount earned during the year. In the governmental funds, revenues for these items are measured by the amount of financial resources available within the period. (46,308)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Bond premiums	(32,797)	
Bonds issued	(8,465,148)	
Bond issuance costs	160,000	
Amortization of premium and issuance costs	(5,531)	
Principal payments	215,148	
Change in long-term compensated absences	<u>(20,797)</u>	<u>(8,149,125)</u>

Total change in net assets \$ 683,928

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements

December 31, 2009 and 2008

(1) Summary of Significant Accounting Policies

The financial statements of the Poughkeepsie Public Library District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

(a) Financial Reporting Entity

The financial statements include all funds of the District as well as the component unit and other organizational entities determined to be includable in the District's financial reporting entity.

The decision to include the component unit discussed in note 1(b) in the reporting entity is based on the criteria, including legal standing, fiscal dependency, and financial accountability, set forth in GASB Statement No. 14 - "Financial Reporting Entity," as amended by GASB Statement No. 39 - "Component Units."

(b) Component Unit

The Friends of the Poughkeepsie Public Library District, Inc. (Friends of PPLD, Inc.) is organized under the not-for-profit laws of New York State to provide an association for persons interested in the District; to promote the importance of the District as an informational and cultural force in the community; to make the public aware of the facilities of the District's services and resources; and to encourage the support of the District through gifts and volunteer services.

The financial data of the District's component unit is reported in a separate column to emphasize that it is legally separate from the District.

Separately issued financial statements for The Friends of the Poughkeepsie Public Library District, Inc. may be obtained by written request sent to their attention at Poughkeepsie Public Library District, 93 Market Street, Poughkeepsie, New York 12601.

(c) Basis of Presentation

District-Wide Statements: The statements of net assets and the statements of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Basis of Presentation, Continued

The statements of activities present a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund statements provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The District records its transactions in the fund types described below.

Governmental Fund Types:

General Fund - The general fund is the principal operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - These funds are used to account for the financial resources used for construction or major repair of capital facilities.

Special Revenue Fund - These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

Permanent Funds - These funds are used to account for relationships in which the fund principal (corpus) may not be expended but must be kept intact, that is, the capital must be maintained. Investment income earned on these funds is reported in the special revenue fund.

(d) Basis of Accounting/Measurement Focus

The District-wide financial statement is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Basis of Accounting/Measurement Focus, Continued

Expenditures are recorded when the related fund liability is incurred, except claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

(e) Budgetary Data

(1) Budget Process - The fiscal year of the District begins on the first day of January and ends on the thirty-first day of December. The proposed annual budget and supplemental propositions for the District as established by the trustees shall be placed before the voters in the general election in the year preceding the year for which the proposed budget has been established (i.e., in 2008 for the budget to be prepared for fiscal year 2009). All budget propositions require approval by a majority of voters in the City of Poughkeepsie (the City) and, also, a majority of voters in the Town of Poughkeepsie (the Town), hereinafter referred to as the majority. Upon approval of such proposed operating budget and of the propositions by the majority, the proposed budget becomes the budget of the District for the following year. In the event that the proposed budget is not approved by the majority, the proposed budget is deemed amended so that the portion of the proposed budget providing for real property tax revenue to be received from the City and Town be changed to equal the real property tax revenue provided for in the District budget in effect as of the time of the vote as amended by the supplemental appropriations if approved. In the event that the voters do not approve the proposed budget as aforesaid, and upon the proposed budget being deemed amended as aforesaid, the real property taxes to be levied by the City and the Town for the District are levied in an amount required to provide the City and Town contribution as set forth in the proposed budget. After the annual budgets for the City and Town have been adopted by the City and the Town, the City and the Town assess and levy upon the taxable real property within the District the amounts to be raised by tax for the purposes of the District as specified in the District's annual budget and cause the amount so assessed and levied to be collected, in the same manner and at the same time and by the same officers as city taxes and town taxes are assessed, levied and collected.

(2) Budget Basis of Accounting - The budget is adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

(f) Cash and Equivalents

Cash and equivalents includes highly liquid investments with a maturity of three months or less.

(g) Investments

Investments consist of certificates of deposit, portfolio money market funds and U.S. Treasury securities and are stated at fair value.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Capital Assets

Capital assets are reported at actual cost for acquisitions. Donated assets are reported at estimated fair market value at the time received.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) for building improvements, furniture and equipment was established at \$1,500. The amount capitalized for library books is equal to the total cost incurred for books during the year. Depreciation is computed using the straight-line method over the estimated useful lives of the capital assets and is reported as an expense in the District-wide statements.

(i) Compensated Absences

The liability for compensated absences is calculated at the rates in effect as of the balance sheet date based upon the contracts with the employee groups and is recorded as a liability in the District-wide statements of net assets. The amount is recorded in the governmental funds balance sheets for as much as will be funded from current financial resources.

(j) Interfund Transfers

During the course of operations, the District has transactions between funds.

(k) Fund Balance

Reserves and Designations - Portions of fund balance are segregated for future use, and are, therefore, not available for future appropriation or expenditure. Designation of unreserved fund balances in governmental funds indicates the utilization of these resources in the ensuing year's budget or tentative plans for future use.

(l) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as a reservation of fund balance since such commitments will be honored through budget appropriations in the subsequent year.

(m) Adoption of New Accounting Pronouncement

During the year ended December 31, 2009, the District adopted the provisions of GASB Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The effect of adoption of this new pronouncement for the year ended December 31, 2009 is the recording of \$355,542 in expense in the primary government financial statements that has not been recorded in previous years. Additionally, beginning with 2009, the total unfunded actuarial accrued liability for postemployment benefits of \$3,695,885 is being amortized over 30 years. Note 11 provides additional disclosures required under GASB Statement No. 45.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(2) Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities, compared with the current financial resources focus of the governmental funds.

- (a) Total fund balances of governmental funds versus net assets of governmental activities - Total fund balances of the District's governmental funds differ from "net assets" of governmental activities reported in the statements of net assets. This difference primarily results from the additional long-term economic focus of the statements of net assets versus the solely current financial resources focus of the governmental fund balance sheets.

Long-term assets - The costs of building and acquiring capital assets (land, buildings and improvements, equipment and library books) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheets. However, the statements of net assets include those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Long-term liabilities - Long-term liabilities are reported in the statements of net assets, but not in the governmental funds, because they are not due and payable in the current period.

- (b) Statements of revenue, expenditures and changes in fund balance versus statements of activities - Differences between the governmental funds statements of revenue, expenditures and changes in fund balance and the statements of activities fall into one of the following broad categories:

Capital related differences - Capital related differences include the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statements of activities.

Future contributions - Future contribution differences include the difference between recording deferred revenue for amounts not received within 90 days after the end of the fiscal year in the governmental funds statements, whereas the amounts pledged are recognized as revenue in the statements of activities when the unconditional promise to give is made.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(2) Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements, Continued

Long-term debt transaction differences - Long-term debt transaction differences occur with the issuance of long-term debt (e.g., bonds) which provides current financial resources to the governmental funds and the repayment of the principal of long-term debt which consumes current financial resources of governmental funds, while the total liability is reflected in the statements of net assets. Also, governmental funds report the effect of the issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. In addition, compensated absences earned are not recorded in the statements of activities as incurred.

(3) Cash and Investments

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. District monies must be deposited in to FDIC - insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. agencies and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

(a) Deposits

The carrying amount of the District's deposits with financial institutions was approximately \$1,587,000 (including approximately \$149,000 combined with investments on the combined balance sheets) and the bank balance was approximately \$1,587,000. The bank balance is categorized as follows:

	<u>Bank Balance</u>
Amount insured by FDIC	\$ 587,192
Collateral held by a third party in the District's name	1,000,194

(b) Investments

The District's investments and maturities at December 31, 2009 and 2008 were as follows:

<u>Investment type</u>	<u>2009</u>	
	<u>Fair value</u>	<u>Less than 1 year</u>
Money market funds	\$ 7,216	7,216
Certificates of deposit	141,846	141,846
U.S. Treasury Securities	<u>370,005</u>	<u>78,408</u>
	<u>\$ 519,067</u>	<u>227,470</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(3) Cash and Investments, Continued

	<u>2008</u>	
Money market funds	\$ 632	632
Certificates of deposit	355,357	355,357
U.S. Treasury Securities	<u>209,127</u>	<u>209,127</u>
	<u>\$ 565,116</u>	<u>565,116</u>

(4) Restricted Cash

Restricted cash at December 31, 2009 and 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
Library purposes	\$ 239,151	230,271
Capital expansion	<u>626,060</u>	<u>6,915,366</u>
	<u>\$ 865,211</u>	<u>7,145,637</u>

(5) Pledges Receivable

Pledges receivable represents unconditional promises to give to the District by a related entity and other entities and are restricted to the payment of costs for the expansion of programs, services and facilities of the District. The outstanding balance at December 31 is as follows:

	<u>2009</u>	<u>2008</u>
Current	\$ 50,000	50,000
Due in 1 to 5 years	_____ -	<u>50,000</u>
	50,000	100,000
Less discounted at 2.675%	_____ -	<u>(2,675)</u>
	<u>\$ 50,000</u>	<u>97,325</u>
Due from component unit	50,000	97,325
Due from others	_____ -	_____ -
	<u>\$ 50,000</u>	<u>97,325</u>

(6) Line of Credit

In March 2009, the District executed a \$650,000 line of credit agreement with a financial institution. The line of credit is collateralized by a security interest in all assets and equipment and matures in January 2010. No amounts were outstanding under the line at December 31, 2009.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(7) Capital Assets

A summary of changes in capital assets for the years ended December 31, 2009 and 2008 is as follows:

	Balance at December 31, <u>2008</u>	<u>Additions</u>	<u>Reclass</u>	<u>Disposals</u>	Balance at December 31, <u>2009</u>
Capital assets - not depreciated:					
Land	\$ 641,009	-	-	-	641,009
Construction in progress	<u>9,409,479</u>	<u>-</u>	<u>(9,409,479)</u>	<u>-</u>	<u>-</u>
Total capital assets not depreciated	<u>10,050,488</u>	<u>-</u>	<u>(9,409,479)</u>	<u>-</u>	<u>641,009</u>
Capital assets - being depreciated:					
Buildings	1,552,208	4,741,630	9,425,472	1,452,208	14,267,102
Improvements	860,259	-	(55,857)	32,505	771,897
Equipment	484,858	1,166,528	39,864	90,657	1,600,593
Library books	<u>2,242,002</u>	<u>283,429</u>	<u>-</u>	<u>-</u>	<u>2,525,431</u>
Total capital assets being depreciated	<u>5,139,327</u>	<u>6,191,587</u>	<u>9,409,479</u>	<u>1,575,370</u>	<u>19,165,023</u>
Less accumulated depreciation:					
Buildings and improvements	1,785,441	120,424	-	1,469,503	436,362
Equipment	263,755	81,255	-	83,835	261,175
Library books	<u>1,610,025</u>	<u>292,262</u>	<u>-</u>	<u>-</u>	<u>1,902,287</u>
Total accumulated depreciation	<u>3,659,221</u>	<u>493,941</u>	<u>-</u>	<u>1,553,338</u>	<u>2,599,824</u>
Total capital assets being depreciated, net	<u>1,480,106</u>	<u>5,697,646</u>	<u>9,409,479</u>	<u>22,032</u>	<u>16,565,199</u>
Total capital assets	<u>\$11,530,594</u>	<u>5,697,646</u>	<u>-</u>	<u>22,032</u>	<u>17,206,208</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(7) Capital Assets, Continued

	Balance at December 31, <u>2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance at December 31, <u>2008</u>
Capital assets - not depreciated:				
Land	\$ 641,009	-	-	641,009
Construction in progress	<u>1,796,403</u>	<u>7,613,076</u>	-	<u>9,409,479</u>
Total capital assets not depreciated	<u>2,437,412</u>	<u>7,613,076</u>	-	<u>10,050,488</u>
Capital assets - being depreciated:				
Buildings	1,552,208	-	-	1,552,208
Improvements	860,259	-	-	860,259
Equipment	408,835	76,023	-	484,858
Library books	<u>2,273,236</u>	<u>224,918</u>	<u>256,152</u>	<u>2,242,002</u>
Total capital assets being depreciated	<u>5,094,538</u>	<u>300,941</u>	<u>256,152</u>	<u>5,139,327</u>
Less accumulated depreciation:				
Buildings and improvements	1,742,428	43,013	-	1,785,441
Equipment	200,233	63,522	-	263,755
Library books	<u>1,541,955</u>	<u>296,108</u>	<u>228,038</u>	<u>1,610,025</u>
Total accumulated depreciation	<u>3,484,616</u>	<u>402,643</u>	<u>228,038</u>	<u>3,659,221</u>
Total capital assets being depreciated, net	<u>1,609,922</u>	<u>(101,702)</u>	<u>28,114</u>	<u>1,480,106</u>
Total capital assets	\$ <u>4,047,334</u>	<u>7,511,374</u>	<u>28,114</u>	<u>11,530,594</u>

(8) Short-Term Debt

In May 2009, the District received \$6,049,852 in proceeds from a bond issued by the City for capital expenditures for the approved capital project which repaid the bond anticipation note issued by the City in April 2008.

Short-term debt activity for the years ended December 31, 2009 and 2008 is as follows:

	Balance at December 31, <u>2008</u>	<u>Additions</u>	<u>Repayments</u>	Balance at December 31, <u>2009</u>
Bond anticipation note	\$ <u>6,049,852</u>	-	<u>6,049,852</u>	-

Interest expense for the year ended December 31, 2009 amounted to \$51,962.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(8) Short-Term Debt, Continued

	Balance at December 31, <u>2007</u>	<u>Additions</u>	<u>Repayments</u>	Balance at December 31, <u>2008</u>
Bond anticipation note	\$ <u>4,500,000</u>	<u>6,049,852</u>	<u>4,500,000</u>	<u>6,049,852</u>

Interest expense for the year ended December 31, 2008 amounted to \$114,409.

(9) Long-Term Liabilities

Changes in the District's long-term debt for the years ended December 31, 2009 and 2008 is detailed in the following schedules:

	Balance at December 31, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2009</u>	Amount due within <u>one year</u>
Compensated absences (A)	\$ 305,723	39,010	-	344,733	-
Bonds payable	8,250,000	6,049,852	474,852	13,825,000	415,000
Other postemployment benefits	<u>-</u>	<u>422,357</u>	<u>66,815</u>	<u>355,542</u>	<u>-</u>
	<u>\$ 8,555,723</u>	<u>6,511,219</u>	<u>541,667</u>	<u>14,525,275</u>	<u>415,000</u>

	Balance at December 31, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2008</u>	Amount due within <u>one year</u>
Compensated absences (A)	\$ 284,926	20,797	-	305,723	-
Bonds payable	<u>-</u>	<u>8,465,148</u>	<u>215,148</u>	<u>8,250,000</u>	<u>220,000</u>
	<u>\$ 284,926</u>	<u>8,485,945</u>	<u>215,148</u>	<u>8,555,723</u>	<u>220,000</u>

(A) Net additions and deletions to compensated absences are shown because it is impracticable to determine these amounts separately.

In June 2008, the Town of Poughkeepsie issued bonds totaling \$8,465,148 to finance the capital project. The coupon rate ranges from 3.0% to 5.0% with the final maturity in the year 2031.

In April 2009, the City of Poughkeepsie issued bonds totaling \$6,049,852. The proceeds of the bonds were used to pay off the outstanding bond anticipation note. The coupon rate ranges from 2.0% to 4.5% with the final maturity in the year 2030.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(9) Long-Term Liabilities, Continued

The following table summarizes the future debt service requirements:

Town of Poughkeepsie Bonds

	<u>Principal</u>	<u>Interest</u>	<u>Amortization Premium</u>	<u>Issuance Costs</u>
2010	\$ 230,000	336,654	1,426	6,957
2011	235,000	326,304	1,426	6,957
2012	250,000	319,254	1,426	6,957
2013	260,000	311,754	1,426	6,957
2014	270,000	150,027	1,426	6,957
Thereafter	<u>6,785,000</u>	<u>3,019,922</u>	<u>22,815</u>	<u>111,301</u>
	\$ <u>8,030,000</u>	<u>4,463,915</u>	<u>29,945</u>	<u>146,086</u>

City of Poughkeepsie Bonds

	<u>Principal</u>	<u>Interest</u>
2010	185,000	225,569
2011	190,000	221,869
2012	190,000	218,069
2013	195,000	213,319
2014	205,000	208,931
Thereafter	<u>4,830,000</u>	<u>1,920,537</u>
	\$ <u>5,795,000</u>	<u>3,008,294</u>

(10) Pension Plans

The District provides its retirees certain retirement benefits made available to participating employers by the New York State Retirement and Social Security Laws, including Chapters 1046 and 1047 of the Laws of 1973.

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system that provides retirement benefits as well as death and disability benefits. These benefits are provided in accordance with the New York State Retirement and Social Security Law (NYSRSSL), which also governs obligations of employers and employees to contribute. The benefits to employees are guaranteed under the State constitution. The District's election to participate in the State plans is irrevocable.

As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of ERS and for the custody and control of their funds. ERS issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244-0001.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(10) Pension Plans, Continued

ERS is noncontributory, except for employees with who joined the System after July 27, 1976, who contribute 3% of their salary. 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.

The rates billed by the Comptroller for ERS ranged from 7.0% to 9.3% for April through December 2009, from 8% to 10.8% for April 2008 through March 2009, and from 8.9% to 12.1% for January through March 2008.

The required contributions for the current year and two preceding years were as follows:

	<u>ERS</u>
2009	\$ 135,283
2008	159,497
2007	188,132

The District's contributions in 2009 and 2008 were equal to 100% of the contributions required for the period.

(11) Other Postemployment Benefits

The Government Accounting Standard Board (GASB) issued Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions" for the recognition and disclosure of municipal employers' postemployment benefit plans other than pensions. GASB Statement No. 45 requires the accrual of these liabilities. The District has implemented this statement as of January 1, 2009.

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits (life insurance) for retired full-time employees and their survivors. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working full-time for the District. Healthcare benefits are provided through New York State Health Insurance Plan. Survivor benefits are provided through an insurance company. The District recognizes the cost of providing benefits by recording its share of insurance premiums (\$34,823 for 12 recipients in 2009 and \$27,966 for 11 recipients in 2008) as an expenditure in the year paid. The eligibility for postemployment health care and survivor benefits is age 55 with 5 years of service. Retiree and spousal benefits continue until the death of the retiree. Surviving spouses are permitted to continue health coverage after the death of the retiree with a 100% contribution of the premium.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(11) Other Postemployment Benefits, Continued

<u>Annual OPEB cost</u>	
Normal cost	\$ 299,259
Amortization of unamortized actuarial liability (UAL)	<u>123,098</u>
Annual required contribution (ARC)	422,357
Interest on OPEB obligation	<u>-</u>
OPEB expense	\$ <u>422,357</u>
<u>Reconciliation of net OPEB obligation at December 31, 2009</u>	
Net OPEB obligation at beginning of the year	\$ -
OPEB expense	422,357
Net OPEB contributions made during the fiscal year	<u>(66,815)</u>
Net OPEB obligation at the end of the year	\$ <u>355,542</u>
Percentage of annual OPEB costs contributed	<u>15.8%</u>
<u>Schedule of funding process</u>	
Total actuarial accrued liability (AAL)	\$ 3,695,885
Actuarial value of assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>3,695,885</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.0%</u>
Covered payroll (active plan members)	\$ <u>2,242,920</u>
Ratio of UAAL to annual covered payroll	<u>164.78%</u>

The cost is based upon an actuarial calculation of the annual required contribution. The actuarial calculation factors turnover and retirement rates, inflation and mortality rates. The calculation was based on an average retirement age of 65 and an average annual 6% increase in health care costs. The costs of survivor benefits are negligible. The annual required contribution includes the current year costs and an amount that is an amortization of the long term liability (UAAL), which if were paid each year is projected to cover the long-term obligation. The District is required to report the obligation but not to fund the obligation. Based on the size of the District, an alternative measurement method was used to calculate the annual required contribution.

(12) Nonexpendable Net Assets

Donor-restricted endowments consisting of funds, the principal of which must be maintained in perpetuity, are carried in the permanent funds. The income on these endowments is recorded in the special reserve fund until expended for its intended purpose.

Endowments at December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Endowment with income restricted for library materials	\$ 91,823	91,823
Endowment with income restricted for the maintenance of the Adriance building	<u>377,030</u>	<u>377,030</u>
	\$ <u>468,853</u>	<u>468,853</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(13) Fund Balance - Governmental Funds Balance Sheets

Reserved

Reservations of fund balance are created to either satisfy legal restrictions or to plan for future expenditures. The following is a description of the reserves utilized by the District.

- (a) Reserved for Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the general fund.
- (b) Reserved for Capital - This reserve was established to restrict the use of resources contributed for the maintenance of the building.
- (c) Reserved for Library Materials - This reserve was established to restrict the use of resources contributed for the library.

(14) Commitments and Contingencies

(a) Lease Agreement

The District leases buildings for use in its operations under operating lease agreements. In September 2009, the District terminated the lease agreement for the space occupied during the renovations of the Adriance Branch. The District executed a new lease agreement for the Arlington Branch. The annual minimum lease payments for 2010 are \$120,582. Rent expense for the years ended December 31, 2009 and 2008 was \$122,158 and \$128,000, respectively.

(b) Risk Financing and Related Insurance General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

(c) Litigation

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds, if any, cannot be presently determined.

(d) Other Contingencies

The District has received grants which are subject to audit by governmental agencies. Such audits may result in disallowances and a request for a return of funds to the governments. The District believes disallowances, if any, will be immaterial.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(14) Commitments and Contingencies, Continued

(e) Expansion Project

In November 2006, the voters in the City and the Town approved the capital expenditure proposition for the proposed \$14.5 million expansion of the Adriance Memorial Library. The project was financed with bonds issued by the City and Town on behalf of the District. For the year ended December 31, 2009, the District reported \$5,637,654 of capital expenditures and had outstanding encumbrances of \$275,801.

(15) Funds Held in Trust

A local foundation is the custodian of an endowment fund established for the benefit of the District. Based upon the terms of the agreement with the custodian, income distributions from the endowment fund will be made after the fund accumulates to \$100,000. At December 31, 2009 and 2008, the total amount being held was approximately \$1,089 and \$980, respectively. These funds are not recognized in the financial statements of the District.

REQUIRED SUPPLEMENTARY INFORMATION

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
Schedule of Revenue, Expenditures and Changes in Fund Balance
Compared to Budget - General Fund
Year ended December 31, 2009

	Original <u>budget</u>	Revised <u>budget</u>	<u>Actual</u>	Variance favorable (unfavorable)
Revenue:				
Real property taxes	\$ 4,472,786	4,472,786	4,468,275	(4,511)
Departmental income	50,000	65,000	68,377	3,377
Use of money and property	45,000	35,000	33,104	(1,896)
Miscellaneous local sources	443,575	419,635	422,988	3,353
State sources	<u>294,674</u>	<u>258,659</u>	<u>260,232</u>	<u>1,573</u>
Total revenue	<u>5,306,035</u>	<u>5,251,080</u>	<u>5,252,976</u>	<u>1,896</u>
Expenditures:				
Culture and recreation	3,577,386	3,585,741	3,428,686	157,055
Employee benefits	895,649	844,340	651,564	192,776
Debt service	<u>913,000</u>	<u>1,037,914</u>	<u>1,038,371</u>	<u>(457)</u>
Total expenditures	<u>5,386,035</u>	<u>5,467,995</u>	<u>5,118,621</u>	<u>349,374</u>
Other financing sources:				
Interfund transfers in	80,000	216,915	216,915	-
Interfund transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>80,000</u>	<u>216,915</u>	<u>216,915</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>-</u>	<u>351,270</u>	<u>351,270</u>

SUPPLEMENTARY INFORMATION

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT
 Schedule of Balance Sheets - Permanent Funds
 December 31, 2009

	Slonaker Trust	Levinsohn Trust	Wojtecki Trust	LaMont Trust	Dobo Trust	Schwartz Trust	Total
Assets - investments	\$ 2,775	1,000	377,221	50,000	37,048	1,023	<u>469,067</u>
Liabilities - due to other funds	-	-	191	-	-	23	<u>214</u>
Fund balance:							
Reserved for capital	-	-	377,030	-	-	-	377,030
Reserved for library materials	2,775	1,000	-	50,000	37,048	1,000	<u>91,823</u>
Total fund balance	<u>2,775</u>	<u>1,000</u>	<u>377,030</u>	<u>50,000</u>	<u>37,048</u>	<u>1,000</u>	<u>468,853</u>
Total liabilities and fund balance	<u>\$ 2,775</u>	<u>1,000</u>	<u>377,221</u>	<u>50,000</u>	<u>37,048</u>	<u>1,023</u>	<u>469,067</u>

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
Poughkeepsie Public Library District:

We have audited the financial statements of Poughkeepsie Public Library District (the District) as of and for the year ended December 31, 2009, and have issued our report thereon dated April 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to the management of the District in a separate letter dated April 3, 2010.

This report is intended solely for the information and use of the Board of Trustees, management and the Office of the State Comptroller and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Schaefer & Co. P.C.

Williamsville, New York
April 3, 2010