

**POUGHKEEPSIE PUBLIC LIBRARY DISTRICT**

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

**December 31, 2010 and 2009**

**(With Independent Auditors' Report Thereon)**



POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

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**TOSKI, SCHAEFER & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

555 INTERNATIONAL DR.  
WILLIAMSVILLE, NY 14221  
(716) 634-0700

14 CORPORATE WOODS BLVD.  
ALBANY, NY 12211  
(518) 935-1089

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, 2010 and 2009. 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, 2010 and 2009, 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 March 10, 2011 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.

Management's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 39 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 40 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  
March 10, 2011

## POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

### Management's Discussion and Analysis

December 31, 2010 and 2009

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, 2010. It is a summary of the District's financial activities based on facts, decisions and conditions known as of March 10, 2011. 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 decreased from \$4,255,862 at December 31, 2009 to \$4,097,218 at December 31, 2010, mainly as a result of depreciation of capital assets, including the newly renovated building. The District's total governmental funds reported an ending fund balance of \$1,480,889 compared to last year's balance of \$1,408,788. The District's total bonded debt decreased by \$415,000 from principal payments.

#### 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 - 16) provide detail of the District's operations.

The financial statements also include notes (pages 21 - 38) that explain some of the information in the statements with more detailed data.

Required supplementary information (page 39) provides further explanation and support for the financial statements with a comparison to the District's general fund 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 decreased by \$158,644 as a result of depreciation of capital assets and transfers of restricted assets that were made to the general fund. Comparative analysis is provided below.

	<u>Statements of Net Assets - District-Wide</u>			
	<u>12/31/10</u>	<u>12/31/09</u>	<u>Change</u>	<u>Percentage change</u>
Current and other assets	\$ 2,002,708	2,024,644	(21,936)	(1.08%)
Capital assets, net	<u>17,044,301</u>	<u>17,206,208</u>	<u>(161,907)</u>	(.94%)
Total assets	<u>\$ 19,047,009</u>	<u>19,230,852</u>	<u>(183,843)</u>	(.96%)
Current liabilities	793,271	834,770	(41,499)	(4.97%)
Long-term liabilities	<u>14,156,520</u>	<u>14,140,220</u>	<u>16,300</u>	.12%
Total liabilities	<u>14,949,791</u>	<u>14,974,990</u>	<u>(25,199)</u>	(.17%)
Net assets:				
Invested in capital assets net of debt	3,744,911	3,497,349	247,562	7.08%
Restricted for library materials	355,587	531,188	(175,601)	(33.06%)
Restricted for capital	377,030	377,030	-	-
Restricted for debt service	302,436	-	302,436	100.00%
Unrestricted (deficit)	<u>(682,746)</u>	<u>(149,705)</u>	<u>(533,041)</u>	(356.06%)
Total net assets	<u>\$ 4,097,218</u>	<u>4,255,862</u>	<u>(158,644)</u>	(3.73%)

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

Governmental Activities

Total revenues increased from 2009 mainly from an increase in property tax revenues, the District's main source of revenue. 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 \$865,753, primarily attributable to employee salary and benefits and operational costs.

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 83% of the District's total revenue in 2010; in 2009 it was 81%.

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Program revenue:			
Charge for services	\$ 86,807	68,377	18,430
Operating grants and contributions	489,283	589,895	(100,612)
Capital grants	185,583	-	185,583
General revenue:			
Property taxes	4,905,696	4,468,275	437,421
Use of money and property	30,766	102,047	(71,281)
State sources	<u>246,750</u>	<u>260,232</u>	<u>(13,482)</u>
Total revenue	<u>5,944,885</u>	<u>5,488,826</u>	<u>456,059</u>
Expenses:			
Culture and recreation	5,536,791	4,668,726	868,065
Interest and fiscal charges	<u>566,738</u>	<u>569,050</u>	<u>(2,312)</u>
Total expenses	<u>6,103,529</u>	<u>5,237,776</u>	<u>865,753</u>
Change in net assets	(158,644)	251,050	(409,694)
Net assets at beginning of year	<u>4,255,862</u>	<u>4,004,812</u>	<u>(251,050)</u>
Net assets at end of year	\$ <u>4,097,218</u>	<u>4,255,862</u>	<u>(158,644)</u>

Library District's Government Funds

The total assets and liabilities of the District changed from 2009 as follows:

	<u>12/31/10</u>	<u>12/31/09</u>	<u>Change</u>	<u>Percentage change</u>
Assets:				
General fund	\$ 651,497	359,880	291,617	81.03%
Capital projects fund	235,612	760,460	(524,848)	(69.02%)
Special revenue fund	280,259	439,365	(159,106)	(36.21%)
Permanent funds	482,441	469,067	13,374	2.85%
Debt service fund	<u>302,436</u>	-	<u>302,436</u>	100.00%
Total assets	\$ <u>1,952,245</u>	<u>2,028,772</u>	<u>(76,527)</u>	<u>(3.77%)</u>



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

	<u>12/31/10</u>	<u>12/31/09</u>	<u>Change</u>	<u>Percentage change</u>
<b>Liabilities:</b>				
General fund	\$ 343,795	297,513	46,282	15.56%
Capital projects fund	34,982	322,257	(287,275)	(89.14%)
Special revenue fund	16,495	-	16,495	100.00%
Permanent funds	13,588	214	13,374	6,249.53%
Debt service fund	<u>62,496</u>	<u>-</u>	<u>62,496</u>	100.00%
Total liabilities	\$ <u>471,356</u>	<u>619,984</u>	<u>(148,628)</u>	(23.97%)
<b>Fund balance:</b>				
General fund	307,702	62,367	245,335	393.37%
Capital projects fund	200,630	438,203	(237,573)	(54.22%)
Special revenue fund	263,764	439,365	(175,601)	39.97%
Permanent funds	468,853	468,853	-	-
Debt service fund	<u>239,940</u>	<u>-</u>	<u>239,940</u>	100.00%
Total fund balance	<u>1,480,889</u>	<u>1,408,788</u>	<u>72,101</u>	5.12%
Total liabilities and fund balance	\$ <u>1,952,245</u>	<u>2,028,772</u>	<u>(76,527)</u>	(3.77%)

As shown in the table above, assets and liabilities decreased in the capital projects fund as capital project liabilities were paid. In the general fund, liabilities increased reflecting payroll liabilities and New York State Employee Retirement System accruals.

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

	<u>12/31/10</u>	<u>12/31/09</u>	<u>Change</u>	<u>Percentage change</u>
<b>Revenue and other sources:</b>				
Real property taxes	\$ 4,905,696	4,468,275	437,421	9.79%
Departmental income	86,807	68,377	18,430	26.95%
Use of money and property	30,766	102,047	(71,281)	(69.85%)
Miscellaneous local sources	710,447	637,220	73,227	11.49%
State sources	<u>246,750</u>	<u>260,232</u>	<u>(13,482)</u>	(5.18%)
Total revenue	<u>5,980,466</u>	<u>5,536,151</u>	<u>444,315</u>	8.03%
<b>Expenditures:</b>				
Culture and recreation	3,712,126	3,660,570	51,556	1.41%
Employee benefits	912,708	651,564	261,144	40.08%
Capital expenditures	307,324	5,637,654	(5,330,330)	(94.55%)
Debt service	<u>976,207</u>	<u>1,038,371</u>	<u>(62,164)</u>	(5.99%)
Total expenditures	<u>5,908,365</u>	<u>10,988,159</u>	<u>(5,079,794)</u>	(46.23%)
Excess (deficiency) of revenue over expenditures	<u>72,101</u>	<u>(5,452,008)</u>	<u>5,524,109</u>	101.32%

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

	<u>12/31/10</u>	<u>12/31/09</u>	<u>Change</u>	<u>Percentage change</u>
Other financing sources (uses):				
Interfund transfers in	\$ 481,079	227,766	253,313	111.22%
Interfund transfers out	(481,079)	(227,766)	(253,313)	(111.22%)
Proceeds from serial bond	-	<u>6,049,852</u>	<u>(6,049,852)</u>	(100.00%)
Total other financing sources	-	<u>6,049,852</u>	<u>(6,049,852)</u>	(100.00%)
Net change in fund balance	\$ <u>72,101</u>	<u>597,844</u>	<u>(525,743)</u>	(87.94%)

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 reported a combined surplus of \$72,101 in 2010, a decrease of \$525,743 compared to 2009, due primarily to a decrease in capital expenditures and bond proceeds as the capital project came to a close.

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 \$607,151 in 2010. Depreciation expense for 2010 was \$744,205.

Debt

The District ended 2010 with no balance on its tax anticipation line of credit. This line of credit has been extended until 2011.

Component Unit Financial Statements

The Friends of the Poughkeepsie Public Library, Inc. is a component unit of the District and has separately issued financial statements. Refer to note 1(b) for further information.

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

Notable Events of 2010

- The District's circulation of library materials, one indicator of public use, increased 34% from 2009 to 2010.
- 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 2011.
- The District was the recipient of a New York State Library Broadband Technology Opportunity Program Grant. This two year project, which runs July 2010 to June 2012, added computer workstations and funds education, support and training relevant to community needs.
- The District has engaged the services of a Library Collection agency to recover material and fines in an ongoing effort to protect the public's investment in the District. As of December 2010 the District has recorded a net recovery of \$15,901 in materials and fines.
- Significant increases in the rental of the Arlington site, fuel and utility costs and retirement costs impacted 2010.

Economic Factors Bearing on the District's Future

The District's management considered 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 expanded Adriance building will continue to impact the District's operating expenses in 2011 with increased staffing, security and utility costs from increased use by the public.
- The labor agreement expired December 2010. The impact of the new negotiated contract is yet unknown.
- 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.
- Reforms in health care legislation have led to significant increases in health care expense in 2010 and 2011.
- Approximately 75% of the existing full-time workforce is within five years of the minimum retirement age and will be eligible to receive 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, 2010

	<u>Primary Governmental Activities</u>	<u>Component Unit Friends of PPLD, Inc.</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Cash and equivalents	\$ 286,708	76,626	363,334
Cash and equivalents - restricted	721,301	-	721,301
Accounts and grants receivable	303,710	-	303,710
Pledges receivable	5,000	-	5,000
Prepaid items	-	183	183
Total current assets	<u>1,316,719</u>	<u>76,809</u>	<u>1,393,528</u>
Noncurrent assets:			
Investments	532,441	-	532,441
Capital assets, net	17,044,301	-	17,044,301
Pledges receivable	14,419	-	14,419
Unamortized bond issuance costs	139,129	-	139,129
Total noncurrent assets	<u>17,730,290</u>	<u>-</u>	<u>17,730,290</u>
Total assets	<u>\$ 19,047,009</u>	<u>76,809</u>	<u>19,123,818</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	368,271	1,219	369,490
Bonds payable	425,000	-	425,000
Total current liabilities	<u>793,271</u>	<u>1,219</u>	<u>794,490</u>
Noncurrent liabilities:			
Compensated absences	370,666	-	370,666
Bonds payable	12,985,000	-	12,985,000
Other postemployment benefit obligation	772,335	-	772,335
Unamortized bond premium	28,519	-	28,519
Total noncurrent liabilities	<u>14,156,520</u>	<u>-</u>	<u>14,156,520</u>
Total liabilities	<u>14,949,791</u>	<u>1,219</u>	<u>14,951,010</u>
<b>Net assets:</b>			
Investment in capital assets, net of related debt	3,744,911	-	3,744,911
Restricted:			
Expendable:			
Restricted for library materials	263,764	-	263,764
Restricted for debt	302,436	-	302,436
Nonexpendable:			
Restricted for library materials	91,823	-	91,823
Restricted for capital	377,030	-	377,030
Unrestricted (deficit)	<u>(682,746)</u>	<u>75,590</u>	<u>(607,156)</u>
Total net assets	<u>4,097,218</u>	<u>75,590</u>	<u>4,172,808</u>
Total liabilities and net assets	<u>\$ 19,047,009</u>	<u>76,809</u>	<u>19,123,818</u>

See accompanying notes to financial statements.

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

	<u>Primary Governmental Activities</u>	<u>Component Unit Friends of PPLD, Inc.</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current assets:</b>			
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	33,821	-	33,821
<b>Total current assets</b>	<u>1,359,491</u>	<u>110,779</u>	<u>1,470,270</u>
<b>Noncurrent assets:</b>			
Investments	519,067	-	519,067
Capital assets, net	17,206,208	-	17,206,208
Unamortized bond issuance costs	146,086	-	146,086
<b>Total noncurrent assets</b>	<u>17,871,361</u>	<u>-</u>	<u>17,871,361</u>
<b>Total assets</b>	<u>\$ 19,230,852</u>	<u>110,779</u>	<u>19,341,631</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	419,770	10,327	430,097
Pledges payable	-	50,000	50,000
Bonds payable	415,000	-	415,000
<b>Total current liabilities</b>	<u>834,770</u>	<u>60,327</u>	<u>895,097</u>
<b>Noncurrent liabilities:</b>			
Compensated absences	344,733	-	344,733
Bonds payable	13,410,000	-	13,410,000
Pledges payable	355,542	-	355,542
Unamortized bond premium	29,945	-	29,945
<b>Total noncurrent liabilities</b>	<u>14,140,220</u>	<u>-</u>	<u>14,140,220</u>
<b>Total liabilities</b>	<u>14,974,990</u>	<u>60,327</u>	<u>15,035,317</u>
<b>Net assets:</b>			
Investment in capital assets, net of related debt	3,497,349	-	3,497,349
<b>Restricted:</b>			
<b>Expendable:</b>			
Restricted for library materials	439,365	-	439,365
<b>Nonexpendable:</b>			
Restricted for library materials	91,823	-	91,823
Restricted for capital	377,030	-	377,030
Unrestricted (deficit)	(149,705)	50,452	(99,253)
<b>Total net assets</b>	<u>4,255,862</u>	<u>50,452</u>	<u>4,306,314</u>
<b>Total liabilities and net assets</b>	<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 Activities

Year ended December 31, 2010

	<u>Program Revenue</u>			Net (expense) revenue and changes in net assets
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	
<u>Functions/Programs</u>			<u>Capital grants and contributions</u>	<u>Governmental activities</u>
Primary government - governmental activities:				<u>Component unit</u>
Culture and recreation	\$ 5,536,791	86,807	185,583	(4,775,118)
Interest and fiscal charges	566,738	-	-	(566,738)
Total primary government - governmental activities	\$ 6,103,529	86,807	185,583	(5,341,856)
Component unit - Friends of Poughkeepsie Public Library District, Inc.	\$ 124,115	1,865	147,096	24,846
General revenue:				
Property taxes				4,905,696
Use of money and property				30,766
State sources				246,750
Total general revenue				5,183,212
Change in net assets				(158,644)
Net assets at beginning of year				4,255,862
Net assets at end of year				\$ 4,097,218

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
Statement of Activities  
Year ended December 31, 2009

	Program Revenue	Primary government	Component unit
<u>Functions/Programs</u>	<u>Charges for services</u>	<u>Governmental activities</u>	<u>Governmental Component unit</u>
Primary government - governmental activities:			
Culture and recreation	\$ 4,668,726	(4,010,454)	
Interest and fiscal charges	569,050	(569,050)	
Total primary government - governmental activities	\$ 5,237,776	(4,579,504)	
Component unit - Friends of Poughkeepsie Public Library District, Inc.	\$ 88,997	2,665	141,530
General revenue:			55,198
Property taxes		4,468,275	-
Use of money and property		102,047	373
State sources		260,232	-
Total general revenue		4,830,554	373
Change in net assets		251,050	55,571
Net assets at beginning of year		4,004,812	(5,119)
Net assets at end of year		\$ 4,255,862	50,452

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
Balance Sheet - Governmental Funds  
December 31, 2010

	General	Capital Projects	Special Revenue	Permanent	Debt Service	Total Governmental Funds
<b>Assets:</b>						
Unrestricted cash and equivalents	\$ 286,708	-	-	-	-	286,708
Restricted cash and equivalents		202,193	216,672	-	302,436	721,301
Due from other funds	75,079	-	13,587	-	-	88,666
Grants and other receivables	289,710	14,000	-	-	-	303,710
Pledges receivable	-	19,419	-	-	-	19,419
Investments	-	-	50,000	482,441	-	532,441
Total assets	<u>\$ 651,497</u>	<u>235,612</u>	<u>280,259</u>	<u>482,441</u>	<u>302,436</u>	<u>1,952,245</u>
<b>Liabilities and fund balance:</b>						
<b>Liabilities:</b>						
Accounts payable	6,357	-	-	-	-	6,357
Accrued liabilities	337,438	20,563	3,913	-	-	361,914
Deferred revenue	-	14,419	-	-	-	14,419
Due to other funds	-	-	12,582	13,588	62,496	88,666
Total liabilities	<u>343,795</u>	<u>34,982</u>	<u>16,495</u>	<u>13,588</u>	<u>62,496</u>	<u>471,356</u>
<b>Fund balance:</b>						
<b>Reserved for:</b>						
Encumbrances	193,331	-	-	-	-	193,331
Capital	-	200,630	-	377,030	-	577,660
Library materials	-	-	263,764	91,823	-	355,587
Debt service	62,496	-	-	-	239,940	302,436
Total reserved	255,827	200,630	263,764	468,853	239,940	1,429,014
Unreserved - undesignated	<u>51,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,875</u>
Total fund balance	<u>307,702</u>	<u>200,630</u>	<u>263,764</u>	<u>468,853</u>	<u>239,940</u>	<u>1,480,889</u>
Total liabilities and fund balance	<u>\$ 651,497</u>	<u>235,612</u>	<u>280,259</u>	<u>482,441</u>	<u>302,436</u>	<u>1,952,245</u>

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</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
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 and other receivables	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>
<b>Liabilities and fund balance:</b>					
<b>Liabilities:</b>					
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	150,000	-	-	214	150,214
Total liabilities	<u>297,513</u>	<u>322,257</u>	<u>-</u>	<u>214</u>	<u>619,984</u>
<b>Fund balance:</b>					
<b>Reserved for:</b>					
Encumbrances	104,209	275,801	-	-	380,010
Capital	-	-	-	377,030	377,030
Library materials	-	-	439,365	91,823	531,188
Total reserved	104,209	275,801	439,365	468,853	1,288,228
Unreserved - undesignated (deficit)	(41,842)	162,402	-	-	120,560
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**  
 Statement of Revenue, Expenditures and Changes in  
 Fund Balance - Governmental Funds  
 Year ended December 31, 2010

	General	Capital Projects	Special Revenue	Permanent	Debt Service	Total Governmental Funds
Revenue:						
Real property tax	\$ 4,905,696	-	-	-	-	4,905,696
Departmental income	86,807	-	-	-	-	86,807
Use of money and property	11,477	1,766	15,907	-	1,616	30,766
Miscellaneous local sources	414,032	185,583	110,832	-	-	710,447
State sources	246,750	-	-	-	-	246,750
Total revenue	<u>5,664,762</u>	<u>187,349</u>	<u>126,739</u>	<u>-</u>	<u>1,616</u>	<u>5,980,466</u>
Expenditures:						
Culture and recreation	3,658,265	244	53,617	-	-	3,712,126
Employee benefits	906,740	-	5,968	-	-	912,708
Capital expenditures	-	307,324	-	-	-	307,324
Debt service:						
Principal	415,000	-	-	-	-	415,000
Interest	561,207	-	-	-	-	561,207
Total expenditures	<u>5,541,212</u>	<u>307,568</u>	<u>59,585</u>	<u>-</u>	<u>-</u>	<u>5,908,365</u>
Excess (deficiency) of revenue over expenditures	<u>123,550</u>	<u>(120,219)</u>	<u>67,154</u>	<u>-</u>	<u>1,616</u>	<u>72,101</u>
Other financing sources (uses):						
Interfund transfers in	121,785	120,970	-	-	238,324	481,079
Interfund transfers out	-	(238,324)	(242,755)	-	-	(481,079)
Total other financing sources (uses)	<u>121,785</u>	<u>(117,354)</u>	<u>(242,755)</u>	<u>-</u>	<u>238,324</u>	<u>-</u>
Net change in fund balance	245,335	(237,573)	(175,601)	-	239,940	72,101
Fund balance at beginning of year	62,367	438,203	439,365	468,853	-	1,408,788
Fund balance at end of year	<u>\$ 307,702</u>	<u>200,630</u>	<u>263,764</u>	<u>468,853</u>	<u>239,940</u>	<u>1,480,889</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</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	5,252,976	264,790	18,385	-	5,536,151
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	5,118,621	5,869,388	150	-	10,988,159
Excess (deficiency) of revenue over expenditures	134,355	(5,604,598)	18,235	-	(5,452,008)
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)	216,915	5,920,118	(87,181)	-	6,049,852
Net change in fund balance	351,270	315,520	(68,946)	-	597,844
Fund balance (deficit) at beginning of year	(288,903)	122,683	508,311	468,853	810,944
Fund balance at end of year	\$ 62,367	438,203	439,365	468,853	1,408,788

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet  
 to Statement of Net Assets  
 December 31, 2010

Total fund balances - governmental funds		\$ 1,480,889
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. The assets consist of:		
Cost of capital assets	\$ 20,265,208	
Accumulated depreciation	<u>(3,220,907)</u>	17,044,301
Contribution revenue received is not recognized in the governmental funds and therefore is deferred.		
		14,419
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	(13,410,000)	
Bond premiums	(28,519)	
Other postemployment benefits	(772,335)	
Bond issuance costs	139,129	
Compensated absences	<u>(370,666)</u>	<u>(14,442,391)</u>
Total net assets - governmental activities		\$ <u>4,097,218</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 current 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
Contribution revenue received is not recognized in the governmental funds and therefore is 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 Statement of Revenue, Expenditures  
 and Changes in Fund Balance to Statement of Activities  
 Year ended December 31, 2010

Net change in fund balances - total governmental funds		\$ 72,101
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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:</p>		
Capital outlays	\$ 607,151	
Depreciation expense	<u>(744,205)</u>	
Excess of depreciation expense over capital outlay		(137,054)
Loss on disposal of capital assets		(24,853)
<p>In the statement of activities, contribution revenue is measured by the amount earned during the year. In the governmental funds, contribution revenue is measured by the amount of financial resources available within the period.</p>		
		(35,581)
<p>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. The governmental funds report issuance costs, premiums, discounts and similar items when debt is issued, while these amounts are amortized in the statement of activities:</p>		
Other postemployment benefits	(416,793)	
Amortization of premium and issuance costs	(5,531)	
Principal payments	415,000	
Change in compensated absences	<u>(25,933)</u>	<u>(33,257)</u>
Total change in net assets		\$ <u>(158,644)</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 disposal of capital assets (22,032)

In the statement of activities, contribution revenue is measured by the amount earned during the year. In the governmental funds, contribution revenue is 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. The governmental funds report issuance costs, premiums discounts and similar items when debt is issued, while these amounts are amortized in the statement of activities:

Bonds issued	(6,049,852)	
Other postemployment benefits	(355,542)	
Amortization of premium and issuance costs	(5,531)	
Principal payments	474,852	
Change in compensated absences	<u>(39,010)</u>	(5,975,083)

Total change in net assets \$ 251,050

See accompanying notes to financial statements.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements

December 31, 2010 and 2009

(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 revenue for each function of the District's activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

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 - This fund is used to account for the financial resources used for construction or major repair of capital facilities.

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

Debt Service Fund - This fund is used to account for the financial resources used explicitly for debt service on outstanding municipal bonds.

Permanent Funds - This fund is 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.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Basis of Accounting/Measurement Focus, Continued

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

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 2009 for the budget to be prepared for fiscal year 2010). 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, the proposed budget becomes the budget of the District for the following year. In the event that the proposed budget is not approved, 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.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Cash and Equivalents

Cash and equivalents include 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.

(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 materials is equal to the total cost incurred for materials 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." Beginning with 2009, the total unfunded actuarial accrued liability for postemployment benefits of \$3,695,885 is being amortized over 30 years. Note 12 provides additional disclosures required under GASB Statement No. 45.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(n) 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, liabilities and disclosures at the date of these financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(o) Subsequent Events

The District has evaluated events after December 31, 2010, and through March 10, 2011, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(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 results from the long-term economic focus of the statements of net assets versus the 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 as assets of the District, and their original costs are expensed 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:

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

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

(b) Statements of revenue, expenditures and changes in fund balance versus statements of activities, Continued

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 for those items in the statements of activities.

Contributions - 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.

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. These transactions are recorded in the statements of net assets in the District-wide statements. Governmental funds report the effect of the issuance costs, premiums and similar items when debt is first issued, whereas these amounts amortized in the District-wide statements of activities. Compensated absences are recorded in the statements of activities as earned but are expended in the government funds as paid.

(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 \$1,157,351 and the bank balance was \$1,221,941, which does not include U.S. Treasury Securities. The bank balance is categorized as follows:

	<u>Bank Balance</u>
Amount insured by FDIC	\$ 327,417
Collateral held by a third party in the District's name	<u>894,524</u>
	\$ <u>1,221,941</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
Notes to Financial Statements, Continued

(3) Cash and Investments, Continued

(b) Investments

The District's investments recorded at fair value at December 31, 2010 and 2009 were as follows:

<u>Investment type</u>	<u>2010</u>	<u>2009</u>
Money market funds	\$ 5,722	7,216
Certificates of deposit	143,620	141,846
U.S. Treasury Securities	<u>383,099</u>	<u>370,005</u>
	<u>\$ 532,441</u>	<u>519,067</u>

(4) Restricted Cash

Restricted cash at December 31, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Capital project	\$ 202,193	626,060
Library purposes	216,672	239,151
Debt service	<u>302,436</u>	-
	<u>\$ 721,301</u>	<u>865,211</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 balances at December 31, 2010 and 2009, were as follows:

	<u>2010</u>	<u>2009</u>
Current	\$ 5,000	50,000
Due in 1 to 5 years	<u>15,000</u>	-
	20,000	50,000
Less discounted at 2%	<u>581</u>	-
	<u>\$ 19,419</u>	<u>50,000</u>
Due from component unit	-	50,000
Due from others	<u>19,419</u>	-
	<u>\$ 19,419</u>	<u>50,000</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
Notes to Financial Statements, Continued

(6) Due From/To Other Funds

The outstanding balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made. The balances reflected as due from/to other funds at December 31, 2010 and 2009 were as follows:

<u>Fund</u>	<u>2010</u>	
	<u>Due from</u>	<u>Due to</u>
General	\$ 75,079	-
Special revenue	13,587	12,582
Permanent	-	13,588
Debt service	<u>-</u>	<u>62,496</u>
	<u>\$ 88,666</u>	<u>88,666</u>

<u>Fund</u>	<u>2009</u>	
	<u>Due from</u>	<u>Due to</u>
General	\$ -	150,000
Special revenue	150,214	-
Permanent	<u>-</u>	<u>214</u>
	<u>\$ 150,214</u>	<u>150,214</u>

(7) Line of Credit

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 matured in January 2011. No amounts were outstanding under the line at December 31, 2010 or 2009.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
Notes to Financial Statements, Continued

(8) Capital Assets

A summary of changes in capital assets for the years ended December 31, 2010 and 2009 is as follows:

	Balance at December 31, <u>2009</u>	<u>Additions</u>	<u>Disposals</u>	Balance at December 31, <u>2010</u>
Capital assets - not being depreciated - land	\$ <u>641,009</u>	<u>-</u>	<u>-</u>	<u>641,009</u>
Capital assets - being depreciated:				
Buildings	14,267,102	71,110	-	14,338,212
Improvements	771,897	1,424	-	773,321
Equipment	1,600,593	237,401	-	1,837,994
Library books	<u>2,525,431</u>	<u>297,216</u>	<u>147,975</u>	<u>2,674,672</u>
Total capital assets being depreciated	<u>19,165,023</u>	<u>607,151</u>	<u>147,975</u>	<u>19,624,199</u>
Less accumulated depreciation:				
Buildings and improvements	436,362	328,449	-	764,811
Equipment	261,175	140,688	-	401,863
Library books	<u>1,902,287</u>	<u>275,068</u>	<u>123,122</u>	<u>2,054,233</u>
Total accumulated depreciation	<u>2,599,824</u>	<u>744,205</u>	<u>123,122</u>	<u>3,220,907</u>
Total capital assets being depreciated, net	<u>16,565,199</u>	<u>137,054</u>	<u>24,853</u>	<u>16,403,292</u>
Total capital assets	\$ <u>17,206,208</u>	<u>137,054</u>	<u>24,853</u>	<u>17,044,301</u>



POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(8) Capital Assets, Continued

	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 being depreciated:					
Land	\$ 641,009	-		-	641,009
Construction in progress	<u>9,409,479</u>	-	(9,409,479)	-	-
Total capital assets not being depreciated	<u>10,050,488</u>	-	(9,409,479)	-	<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>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>1,902,287</u>
Total accumulated depreciation	<u>3,659,221</u>	<u>493,941</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>22,032</u>	<u>17,206,208</u>

(9) 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.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
Notes to Financial Statements, Continued

(9) Short-Term Debt, Continued

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

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

Interest expense for the year ended December 31, 2009 amounted to \$51,962. The District did not have short-term debt activity for the year ended December 31, 2010.

(10) Long-Term Liabilities

Changes in the District's long-term debt for the years ended December 31, 2010 and 2009 is detailed in the following schedules:

	Balance at December 31, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2010</u>	Amount due within <u>one year</u>
Compensated absences (A)	\$ 344,733	25,933	-	370,666	-
Bonds payable	13,825,000	-	415,000	13,410,000	425,000
Other postemployment benefits	<u>355,542</u>	<u>454,349</u>	<u>37,556</u>	<u>772,335</u>	<u>-</u>
	<u>\$ 14,525,275</u>	<u>480,282</u>	<u>452,556</u>	<u>14,553,001</u>	<u>425,000</u>

	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>

(A) Changes to compensated absences are shown net as it is impracticable to determine these amounts separately.

In June 2008, the Town of Poughkeepsie issued bonds totaling \$8,465,148. 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 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

(10) 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>
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	300,054	1,426	6,957
2015	280,000	291,279	1,426	6,957
2016 - 2020	1,590,000	1,258,494	7,130	34,785
2021 - 2025	1,960,000	865,444	7,130	34,785
2026 - 2030	2,410,000	431,244	7,129	34,774
2031	<u>545,000</u>	<u>23,435</u>	-	-
	<u>\$ 7,800,000</u>	<u>4,127,262</u>	<u>28,519</u>	<u>139,129</u>

City of Poughkeepsie Bonds:

	<u>Principal</u>	<u>Interest</u>
2011	\$ 190,000	221,869
2012	190,000	218,069
2013	195,000	213,319
2014	205,000	208,931
2015	215,000	200,731
2016 - 2020	1,220,000	872,856
2021 - 2025	1,520,000	593,527
2026 - 2030	<u>1,875,000</u>	<u>253,423</u>
	<u>\$ 5,610,000</u>	<u>2,782,725</u>

(11) 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.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
Notes to Financial Statements, Continued

(11) Pension Plans, Continued

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 issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by visiting their website [http://www.osc.state.ny.us/retire/about\\_us/annual\\_report](http://www.osc.state.ny.us/retire/about_us/annual_report) or by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244-0001.

ERS is contributory; employees contribute 3% of their salaries, except for employees who joined the System before July 27, 1976 or employees who joined before January 1, 2010 and have 10 years in the ERS. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined 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 9.0% to 15.3% for April through December 2010, from 7% to 9.3% for April 2009 through March 2010, and from 8% to 10.8% for January through March 2009.

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

	<u>ERS</u>
2010	\$ 273,851
2009	135,283
2008	159,497

The District's contributions in 2010 and 2009 were equal to 100% of the contributions required for the period.

(12) Other Postemployment Benefits

The Government Accounting Standard Board 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 (OPEB). GASB Statement No. 45 requires the accrual of these liabilities. The District has implemented this statement as of January 1, 2009.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
Notes to Financial Statements, Continued

(12) Other Postemployment Benefits, Continued

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits (life insurance) for retired full-time employees and their dependents. 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 (\$37,556 for 12 recipients in 2010 and \$34,823 for 12 recipients in 2009) as expenditures in the year paid. The eligibility for postemployment health care 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.

	<u>2010</u>	<u>2009</u>
<u>Annual OPEB cost</u>		
Normal cost	\$ 299,259	299,259
Amortization of unamortized actuarial liability (UAL)	<u>123,098</u>	<u>123,098</u>
Annual required contribution (ARC)	422,357	422,357
Interest on OPEB obligation	<u>-</u>	<u>-</u>
OPEB expense	<u>\$ 422,357</u>	<u>422,357</u>
 <u>Reconciliation of net OPEB obligation at December 31</u>		
Net OPEB obligation at beginning of the year	\$ 355,542	-
OPEB expense	454,349	422,357
Net OPEB contributions made during the fiscal year	<u>(37,556)</u>	<u>(66,815)</u>
Net OPEB obligation at the end of the year	<u>\$ 772,335</u>	<u>355,542</u>
Percentage of annual OPEB costs contributed	<u>8.89%</u>	<u>15.8%</u>
 <u>Schedule of funding progress</u>		
Total actuarial accrued liability (AAL)	\$ 3,695,885	3,695,885
Actuarial value of assets	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,695,885</u>	<u>3,695,885</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 2,564,860</u>	<u>2,242,920</u>
Ratio of UAAL to annual covered payroll	<u>144.10%</u>	<u>164.78%</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT

Notes to Financial Statements, Continued

(12) Other Postemployment Benefits, Continued

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. The UAAL will be updated every three years.

(13) Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without the equivalent flow of assets in return. Transfers are used to move amounts earmarked in the operating funds to fulfill commitments for capital projects fund expenditures and other fund expenditures and to move unexpended capital projects fund balances to the operating funds that originally provided the funding. Interfund transfers for the years ended December 31, 2010 and 2009 were as follows:

	Transfers in			
	General fund	Capital Projects fund	Debt Service fund	Total
<u>2010</u>				
<u>Transfers out</u>				
Capital projects fund	\$ -	-	238,324	238,324
Special revenue fund	121,785	120,970	-	242,755
	<u>\$ 121,785</u>	<u>120,970</u>	<u>238,324</u>	<u>481,079</u>
<u>2009</u>				
<u>Transfers out</u>				
Capital projects fund	140,585	-	-	140,585
Special revenue fund	76,330	10,851	-	87,181
	<u>\$ 216,915</u>	<u>10,851</u>	<u>-</u>	<u>227,766</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
Notes to Financial Statements, Continued

(14) 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, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</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>

(15) Reserved Fund Balance - Governmental Funds

Reservations of fund balance are created to either satisfy legal restrictions or for planned 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.
- (d) Reserved for Debt Service - This reserve was established to restrict the use of resources designated for debt service.

(16) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions," enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. The requirements of the statement are effective for period beginning after June 15, 2010, which is the fiscal year beginning January 1, 2011 for the District. Management has not yet determined the effect that this Statement will have on the future financial statements of the District.

GASB Statement No. 59 - "Financial Instruments Omnibus" updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The requirements of this statement are effective for periods beginning after June 15, 2010, which is the fiscal year beginning January 1, 2011 for the District. This statement is not expected to have a material effect on the future financial statements of the District.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
Notes to Financial Statements, Continued

(16) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 61 - "The Financial Reporting Entity: Omnibus" is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14 "The Financial Reporting Entity" and No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments". This statement amends the criteria for including component units by only including those component units for which the elected officials are financially accountable or that the government determines would be misleading to exclude. This statement also amends the criteria for blending of component units to include only those component units that are so intertwined with the primary government that they are essentially the same as the primary government. The requirements of the statement are effective for period beginning after June 15, 2012, which is the fiscal year beginning January 1, 2013 for the District. Management has not yet determined the effect that this Statement will have on the future financial statements of the District.

GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. This statement incorporates into the GASB's authoritative literature the applicable guidance issued before November 30, 1989 from FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. The requirements of the statement are effective for period beginning after December 15, 2011. This statement is not expected to have a material effect on the future financial statements of the District.

(17) Commitments and Contingencies

(a) Lease Agreement

The District leases buildings for use in its operations under operating lease agreements. The District executed a new five-year lease agreement for the Arlington Branch covering 2011-2015. The annual minimum lease payments for 2011 total \$110,868, plus any common charges. Rent expense for the years ended December 31, 2010 and 2009 was \$110,868 and \$122,158, 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.



POUGHKEEPSIE PUBLIC LIBRARY DISTRICT  
Notes to Financial Statements, Continued

(17) Commitments and Contingencies, Continued

(c) Litigation

There are currently pending tax 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.

(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. The District reported \$307,324 and \$5,637,654 of capital expenditures for the years ended December 31, 2010 and 2009, respectively. The District had outstanding retainage of \$20,563 at December 31, 2010.

(18) 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, 2010 and 2009, the total amount being held was approximately \$1,137 and \$1,089, 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, 2010

	Original <u>budget</u>	Revised <u>budget</u>	<u>Actual</u>	Variance favorable <u>(unfavorable)</u>
Revenue:				
Real property tax	\$ 4,914,226	4,905,700	4,905,696	(4)
Departmental income	65,000	84,000	86,807	2,807
Use of money and property	30,000	12,000	11,477	(523)
Miscellaneous local sources	421,700	414,081	414,032	(49)
State sources	<u>249,413</u>	<u>247,224</u>	<u>246,750</u>	<u>(474)</u>
Total revenue	<u>5,680,339</u>	<u>5,663,005</u>	<u>5,664,762</u>	<u>1,757</u>
Expenditures:				
Culture and recreation	3,819,366	3,809,154	3,658,265	150,889
Employee benefits	872,173	931,986	906,740	25,246
Debt service	<u>1,043,800</u>	<u>1,040,800</u>	<u>976,207</u>	<u>64,593</u>
Total expenditures	<u>5,735,339</u>	<u>5,781,940</u>	<u>5,541,212</u>	<u>240,728</u>
Other financing sources - interfund transfers in	<u>55,000</u>	<u>118,935</u>	<u>121,785</u>	<u>2,850</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>-</u>	<u>245,335</u>	<u>245,335</u>

SUPPLEMENTARY INFORMATION

**POUGHKEEPSIE PUBLIC LIBRARY DISTRICT**  
 Schedule of Balance Sheets - Permanent Funds  
 December 31, 2010

	Slonaker Trust	Levinsohn Trust	Wojtecki Trust	LaMont Trust	Dobo Trust	Schwartz Trust	Total
Assets - investments	\$ 2,830	1,000	388,821	51,000	37,790	1,000	<u>482,441</u>
Liabilities - due to other funds	55	-	11,791	1,000	742	-	<u>13,588</u>
Fund balance:							
Reserved for capital	-	-	377,030	-	-	-	<u>377,030</u>
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>\$ 2,830</u>	<u>1,000</u>	<u>388,821</u>	<u>51,000</u>	<u>37,790</u>	<u>1,000</u>	<u>482,441</u>

**TOSKI, SCHAEFER & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

555 INTERNATIONAL DR.  
WILLIAMSVILLE, NY 14221  
(716) 634-0700

14 CORPORATE WOODS BLVD.  
ALBANY, NY 12211  
(518) 935-1069

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, 2010, and have issued our report thereon dated March 10, 2011. 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 March 10, 2011.

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  
March 10, 2011

