

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2011

WITH INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the  
Poughkeepsie Public Library District, New York:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Poughkeepsie Public Library District, New York ("Library") as of and for the year ended December 31, 2011, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Library as of December 31, 2011 and the respective changes in financial position, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

As shown in the table above, assets and liabilities increased. In the general fund, assets and liabilities increased as the 2011 NYS Retirement System payment was not made until February 2012. Total governmental funds revenue and expenditures changed from the prior year as follows:

	December 31,		Change
	2011	2010	
<b>Revenue and Other Sources:</b>			
Real Property Taxes	\$ 5,358,564	\$ 4,905,696	\$ 452,868
Other Tax Items	9,390	7,661	1,729
Departmental Income	86,040	86,807	(767)
Use of Money and Property	30,613	30,766	(153)
State Aid	305,235	246,750	58,485
Federal Aid	126,250	-	126,250
Local Sources-County	89,744	-	89,744
Gifts and Donations	150,395	-	150,395
Health Insurance Reimbursement	61,889	-	61,889
Miscellaneous Local Sources	97,381	702,786	(605,405)
<b>Total Revenue</b>	<b>6,315,501</b>	<b>5,980,466</b>	<b>335,035</b>
<b>Expenditures:</b>			
General Government Support MTA Tax	8,403	8,780	(377)
Culture and Recreation	-	3,712,126	(3,712,126)
Personal Services	2,583,943	-	2,583,943
Employee Benefits	1,086,600	903,928	182,672
Equipment	32,638	307,324	(274,686)
Contractual	1,399,327	-	1,399,327
Capital Outlay	20,164	-	20,164
Debt Service	973,264	976,207	(2,943)
<b>Total Expenditures</b>	<b>6,104,339</b>	<b>5,908,365</b>	<b>195,974</b>
<b>Excess of Revenue Over Expenditures</b>	<b>211,162</b>	<b>72,101</b>	<b>139,061</b>
<b>Other Financing Sources (Uses):</b>			
Interfund Transfers In	66,496	481,079	(414,583)
Intefund Transfers Out	(66,496)	(481,079)	414,583
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ 211,162</b>	<b>\$ 72,101</b>	<b>\$ 139,061</b>

## Financial Analysis of the District's Funds

### *General Fund Budgetary Highlights*

The Library 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 Library District is the budget for the general fund.

The governmental funds report a combined surplus of \$211,162, an increase from 2010. This increase was primarily in the Capital project and Debt Service Fund.

### **Capital Asset and Debt Administration**

#### *Capital Assets*

Acquisitions of library materials and equipment throughout the Library District totaled \$347,607 in 2011. Depreciation expense for 2011 was \$ 738,590.

#### *Debt*

The Library District ended 2011 with no balance on its tax anticipation line of credit, but extended the agreement until 2012.

#### *Notable Events of 2011*

- The Library District's circulation of materials, program attendance continues to increase. The District added over 3,000 new patrons in 2011.
- The Library District was the recipient of a two year Adult Literacy Grant. This grant funds one part-time Spanish speaking library assistant and educational literacy programs. The grant fund through June 2013.
- The Library District completed the second year of the NYS Library Broadband Technology Opportunity Program grant. The program runs through May 2012. This program funds education, support and training relevant to community needs and has served over patrons since its inception.
- The Library 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 Library District has already been notified it will be a participant in 2012.
- In addition to the Adriance site's geothermal HVAC, the Library District has implemented measures for the green disposal of electronic and electrical waste. It has also committed to the cost of the replacement of lighting at the Arlington site with new energy efficient fixtures.

## **Economic Factors Bearing on the District's Future**

The Library District's management considers many factors when setting the 2011 and 2012 budgets.

- Decisions to continue existing grant funded programs or to create new programs will have an impact on the Library District's financial position. The Library District continues to measure the performance and financial viability of its programs.
- The opening of the expanded Adriance building in late 2009 continues to impact the Library District's operating expenses due to increased staffing and security needs, increased utility costs, and increased use by public. Program attendance increased 25% in 2011. Over 360,000 patrons visited the library in 2011.
- The labor agreement expired December 2010. A new negotiated contract has not been settled. The full impact of this contract is not yet known.
- 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 47% of the existing full-time workforce falls within five years of the expected retirement age and will be eligible to draw accrued postemployment benefits.
- The Library District continues to work with the Town to find a suitable site for the Arlington branch.

## **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 Library District's finances and to show the Library 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, NEW YORK

STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 1,644,441
Investments	538,453
Receivables:	
Accounts	39,748
Pledges, net	14,708
Deferred charges	132,172
Capital assets:	
Not being depreciated	641,009
Being depreciated, net	<u>16,009,386</u>
 Total Assets	 <u>19,019,917</u>
<b>LIABILITIES</b>	
Accounts payable	61,415
Accrued liabilities	146,484
Accrued interest payable	35,898
Due to retirement systems	291,047
Non-current liabilities:	
Due within one year	480,000
Due in more than one year	<u>13,902,371</u>
 Total Liabilities	 <u>14,917,215</u>
<b>NET ASSETS (DEFICIT)</b>	
Invested in capital assets, net of related debt	3,770,474
Restricted for:	
Capital projects	299,958
Debt service	304,317
Special revenue	287,912
Permanent Fund	468,853
Unrestricted (Deficit)	<u>(1,028,812)</u>
 Total Net Assets	 <u>\$ 4,102,702</u>

The notes to the financial statements are an integral part of this statement.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General support	\$ 8,403	\$ -	\$ -	\$ -
Culture and recreation	5,743,854	219,825	590,737	119,492
Interest	553,048	-	-	1,881
<b>Total Governmental Activities</b>	<b>\$ 6,305,305</b>	<b>\$ 219,825</b>	<b>\$ 590,737</b>	<b>\$ 121,373</b>

General Revenues:  
 Real property taxes  
 Other tax items -  
 Payments in lieu of taxes  
 Unrestricted use of money and property

Total General Revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

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Net (Expense)  
Revenue and  
Changes in  
Net Assets

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\$ (8,403)  
(4,813,800)  
(551,167)

(5,373,370)

5,358,564

9,390  
10,900

5,378,854

5,484

4,097,218

\$ 4,102,702

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	General	Capital Projects	Non-Major Governmental	Total Governmental Funds
<b><u>ASSETS</u></b>				
Cash and Equivalents	\$ 766,282	\$ 312,392	\$ 565,767	\$ 1,644,441
Investments	-	-	538,453	538,453
Receivables:				
Accounts	37,748	2,000	-	39,748
Pledges, net	-	14,708	-	14,708
Due from other funds	31,301	-	20,347	51,648
	<u>69,049</u>	<u>16,708</u>	<u>20,347</u>	<u>106,104</u>
Total Assets	<u>\$ 835,331</u>	<u>\$ 329,100</u>	<u>\$ 1,124,567</u>	<u>\$ 2,288,998</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 41,981	\$ 19,434	\$ -	\$ 61,415
Accrued liabilities	143,198	-	3,286	146,484
Due to retirement systems	282,496	-	8,551	291,047
Due to other funds	-	-	51,648	51,648
Deferred revenues	-	9,708	-	9,708
Total Liabilities	<u>467,675</u>	<u>29,142</u>	<u>63,485</u>	<u>560,302</u>
Fund Balances:				
Nonspendable	-	-	468,853	468,853
Restricted	-	299,958	304,317	604,275
Assigned	107,358	-	287,912	395,270
Unassigned	260,298	-	-	260,298
Total Fund Balances	<u>367,656</u>	<u>299,958</u>	<u>1,061,082</u>	<u>1,728,696</u>
Total Liabilities and Fund Balances	<u>\$ 835,331</u>	<u>\$ 329,100</u>	<u>\$ 1,124,567</u>	<u>\$ 2,288,998</u>

The notes to the financial statements are an integral part of this statement.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

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Fund Balances - Total Governmental Funds	\$ 1,728,696
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.	<u>16,650,395</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Pledges receivable	<u>9,708</u>
Government 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.	
Deferred charges	<u>132,172</u>
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest payable	(35,898)
Bonds payable	(13,012,093)
Compensated absences	(403,985)
Other post employment benefit obligations payable	<u>(966,293)</u>
	<u>(14,418,269)</u>
Net Assets of Governmental Activities	<u>\$ 4,102,702</u>

The notes to the financial statements are an integral part of this statement.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2011

	General	Capital Projects	Non-Major Governmental	Total Governmental Funds
<b>Revenues:</b>				
Real property taxes	\$ 5,358,564	\$ -	\$ -	\$ 5,358,564
Other tax items	9,390	-	-	9,390
Departmental income	86,040	-	-	86,040
Use of money and property	10,900	1,263	18,450	30,613
State aid	227,043	78,192	-	305,235
Federal aid	-	-	126,250	126,250
Local sources-County	89,744	-	-	89,744
Gifts and donations	150,395	-	-	150,395
Health insurance reimbursement	61,889	-	-	61,889
Miscellaneous	46,244	40,037	11,100	97,381
<b>Total Revenues</b>	<b>6,040,209</b>	<b>119,492</b>	<b>155,800</b>	<b>6,315,501</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General support -</b>				
Metropolitan commuter transportation mobility tax	8,403	-	-	8,403
<b>Culture and recreation:</b>				
Personal services	2,480,305	-	103,638	2,583,943
Equipment	32,638	-	-	32,638
Contractual	1,399,327	-	-	1,399,327
Employee benefits	1,064,467	-	22,133	1,086,600
	4,976,737	-	125,771	5,102,508
<b>Debt service:</b>				
Principal	425,000	-	-	425,000
Interest	548,264	-	-	548,264
	973,264	-	-	973,264
Capital outlay	-	20,164	-	20,164
<b>Total Expenditures</b>	<b>5,958,404</b>	<b>20,164</b>	<b>125,771</b>	<b>6,104,339</b>
<b>Excess of Revenues Over Expenditures</b>	<b>81,805</b>	<b>99,328</b>	<b>30,029</b>	<b>211,162</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	4,000	-	62,496	66,496
Transfers out	(62,496)	-	(4,000)	(66,496)
<b>Total Other Financing Sources (Uses)</b>	<b>(58,496)</b>	<b>-</b>	<b>58,496</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>23,309</b>	<b>99,328</b>	<b>88,525</b>	<b>211,162</b>
Fund Balances - Beginning of Year, as reported	307,702	200,630	972,557	1,480,889
Prior Period Adjustment	36,645	-	-	36,645
Fund Balances - Beginning of Year, as restated	344,347	200,630	972,557	1,517,534
<b>Fund Balances - End of Year</b>	<b>\$ 367,656</b>	<b>\$ 299,958</b>	<b>\$ 1,061,082</b>	<b>\$ 1,728,696</b>

The notes to the financial statements are an integral part of this statement.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011

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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances - Total Governmental Funds	\$ 211,162
<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 and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.</p>	
Capital outlay expenditures	347,607
Depreciation expense	<u>(738,590)</u>
	<u>(390,983)</u>
Loss on disposal of capital assets	<u>(2,923)</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Pledges	<u>(4,711)</u>
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of 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</p>	
Principal paid on bonds	425,000
Amortization of issuance costs	(6,957)
Amortization of issuance premium	<u>1,426</u>
	<u>419,469</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Accrued interest	747
Compensated absences	(33,319)
Other post employment benefit obligations	<u>(193,958)</u>
	<u>(226,530)</u>
Change in Net Assets of Governmental Activities	<u>\$ 5,484</u>

The notes to the financial statements are an integral part of this statement.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Real property taxes	\$ 5,358,564	\$ 5,358,564	\$ 5,358,564	\$ -
Other tax items	5,000	9,389	9,389	-
Departmental income	80,000	80,000	86,040	6,040
Use of money and property	20,000	10,500	10,900	400
State aid	247,224	230,576	227,043	(3,533)
Local sources-County	105,160	74,081	89,744	15,663
Gifts and donations	156,060	166,060	150,395	(15,665)
Health insurance reimbursement	60,277	62,346	61,889	(457)
Miscellaneous	71,300	70,500	46,244	(24,256)
	<u>6,103,585</u>	<u>6,062,016</u>	<u>6,040,208</u>	<u>(21,808)</u>
Total Revenues				
Expenditures:				
Current:				
General support - Metropolitan commuter transportation mobility tax	8,525	8,526	8,403	123
Culture and recreation:				
Personal services	2,496,960	2,487,290	2,480,304	6,986
Equipment	16,500	34,207	32,638	1,569
Contractual	1,677,065	1,540,924	1,399,327	141,597
Employee benefits	1,122,441	1,190,505	1,064,467	126,038
	<u>5,312,966</u>	<u>5,252,926</u>	<u>4,976,736</u>	<u>276,190</u>
Debt service:				
Principal	425,000	425,000	425,000	-
Interest	550,425	550,425	548,264	2,161
	<u>975,425</u>	<u>975,425</u>	<u>973,264</u>	<u>2,161</u>
	<u>6,296,916</u>	<u>6,236,877</u>	<u>5,958,403</u>	<u>278,474</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>(193,331)</u>	<u>(174,861)</u>	<u>81,805</u>	<u>256,666</u>
Other Financing Sources (Uses):				
Transfers in	-	4,000	4,000	-
Transfers out	-	-	(62,496)	(62,496)
Total Other Financing Uses	-	-	(58,496)	(62,496)
Net Change in Fund Balance	<u>(193,331)</u>	<u>(170,861)</u>	<u>23,309</u>	<u>194,170</u>
Fund Balance - Beginning of Year, as reported	193,331	170,861	307,702	136,841
Prior Period Adjustment	-	-	36,645	36,645
Fund Balance - Beginning of Year, as restated	<u>193,331</u>	<u>170,861</u>	<u>344,347</u>	<u>173,486</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,656</u>	<u>\$ 367,656</u>

The notes to the financial statements are an integral part of this statement.



**Note 1 - Summary of Significant Accounting Policies**

The Poughkeepsie Public Library District, New York ("Library") was established in 1987 and operates in accordance with the applicable laws of the State of New York. The Board of Trustees is the legislative body responsible for overall operation of the Library and is elected by the voters of the Library. The Executive Director serves as the chief executive officer.

The accounting policies of the Library conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Library's more significant accounting policies:

**A. Financial Reporting Entity**

The financial reporting entity consists of a) the primary government, which is the Library; b) organizations for which the Library is financially accountable; and c) other organizations for which the nature and significance of their relationship with the Library are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Library's reporting entity was made by applying the criteria set forth by GASB including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

**B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all non-fiduciary activities of the Library as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

The Statement of Net Assets presents the financial position of the Library at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Other items not identified as program revenues are reported as general revenues. The Library does not allocate indirect expenses to functions in the Statement of Activities.

**C. Fund Financial Statements**

The accounts of the Library are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance

**Note 1 - Summary of Significant Accounting Policies (Continued)**

with finance related legal and contractual provisions. The Library maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explain the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The Library's resources are reflected in the fund financial statements in one broad fund category, in accordance with generally accepted accounting principles as follows:

**Fund Categories**

Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following represents the Library's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the Library and is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

The Library also reports the following non-major governmental funds.

Special Revenue Fund - The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects.

Permanent Fund - The Permanent Fund is used to account for assets that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Library's programs.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest maturing in future years.

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the flow of *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety day availability period is used for revenue recognition for all other governmental fund revenues. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service expenditures, as well as, expenditures related to compensated absences and other post employment benefit obligations payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

**Component Unit**

The component unit is presented on the basis of accounting the most accurately reflects its activities. The component unit is accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. With this measurement focus, all assets and liabilities (whether current or non-current) associated with the operation of this fund is included on the balance sheet. Operating statements present increases (revenues) and decreases (expenses) in net total assets. The Friends of PPLD, Inc. is accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. The component unit applies all applicable Financial Accounting Standards Board ("FASB") guidance issued after November 30, 1989 in accounting and reporting for its operations.

**E. Assets, Liabilities and Net Assets or Fund Balances****Deposits, Investments and Risk Disclosure**

**Cash and Equivalents** - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The Library's investment policies are governed by State statutes. The Library has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The Library is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Library has entered into custodial agreements with the various banks which hold its deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Library's name. The Library's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2011.

**Investments** - All investments are stated at fair value. Investments consist of certificates of deposit which are fixed rate investments maturing in more than three months and are secured by FDIC coverage, with collateral posted by the respective depository.

Investments in the Permanent Fund are stated at fair value. Investments consist of U.S. Treasury securities.

The Library was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate risk or credit risk.

**Taxes Receivable** - Real property taxes attach as an enforceable lien on real property as of January 1st and are levied and payable by April 1st. The City of Poughkeepsie, New York ("City") and the Town of Poughkeepsie, New York ("Town") are responsible for the billing and collection of the taxes. The City and the Town guarantee the full payment of the Library's warrant and assumes responsibility for uncollected taxes.

**Other Receivables** - Other receivables include amounts due from other governments and individuals for services provided by the Library. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

**Pledges Receivable** - Pledges receivable represents unconditional promises to give to the Library 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 Library. Discounts are recorded when appropriate.

**Due From/To Other Funds** - During the course of its operations, the Library has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Inventories** - There are no inventory values presented in the balance sheets of the respective funds of the Library. Purchases of inventoriable items are recorded as expenditures at the time of purchase and year end balances are not material.

**Deferred Charges** - Deferred charges in the government-wide financial statements represent the unamortized portion of the cost of issuance of bonds. These costs are being amortized over the term of the respective bond issue.

**Capital Assets** - Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the Library as assets with an initial cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

The costs associated with the acquisition or construction of capital assets are shown as expenditures in the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

Land is not depreciated. Property, plant and equipment of the Library are depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Buildings and Improvements	50-65
Equipment	5-30
Library Books	5

**Deferred Revenue** - Deferred revenue in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Library has reported deferred revenues in the Capital Projects fund of \$9,708 for pledges. These amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

**Long-Term Liabilities** - In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

**Compensated Absences** - The collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation from service. The liability for such accumulated time is reflected in the government-wide Statement of Net Assets as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets on the Statement of Net Assets include, invested in capital assets, net of related debt, restricted for capital projects, debt service, grants and permanent fund. The balance is classified as unrestricted.

**Fund Balance** - Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Library is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law.

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Library's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Library's policy to use fund balance in the following order: committed, assigned, and unassigned.

**F. Encumbrances**

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

**G. Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**H. Prior Period Adjustment**

In the General Fund, it was determined that accrued liabilities were overstated at December 31, 2010 resulting in an increase of \$36,645 to fund balance and net assets as of January 1, 2011.

**I. Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 9, 2012.

**Note 2 - Stewardship, Compliance and Accountability**

**A. Budgetary Data**

The Library generally follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) The proposed annual budget and supplemental propositions for the Library as established by the trustees shall be placed before the voters in the general election.
- b) All budget propositions require approval by a majority of voters in the City and a majority of voters in the Town.
- c) Upon approval of such proposed operating budget and of the propositions, the proposed budget becomes the budget of the Library.
- d) In the event that the proposed budget is not approved the budget is deemed amended so that the portion of the 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 Library budget in effect as of the time of the vote as amended by supplemental appropriations if approved.
- e) 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 Library are levied in the amount required to provide the City and Town contribution as set forth in the proposed budget.
- f) After the annual budgets for the City and Town have been adopted the City and Town assess and levy upon the taxable real property within the Library the amounts to be raised by tax for the purpose of the Library as specified in the Library'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.
- g) The General Fund budget is legally adopted annually on a basis consistent with generally accounting principles. The Capital Projects Fund is budgeted on a project basis.
- h) The Board of Trustees has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in the General Fund lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding fiscal year pursuant to the Uniform System of Accounts as promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board of Trustees. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.



**Note 2 - Stewardship, Compliance and Accountability (Continued)****B. Expenditures in Excess of Budget**

The following functional expenditure categories exceeded their budgetary authorization by the amounts indicated:

General Fund-		
Other Financing Uses-Transfers Out	\$	62,496

**C. Application of Accounting Standards**

For the year ended December 31, 2011, the Library implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB 54"). GASB 54 changed the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriations. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

**Note 3 - Detailed Notes on All Funds****A. Investments**

Investments of the Library consisted of the following at December 31, 2011:

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance December 31, 2011</u>
U.S. Treasury Note	01/15/2012	1.125 %	\$ 83,455
U.S. Treasury Note	01/31/2013	2.875	58,295
U.S. Treasury Note	01/31/2014	1.750	69,531
U.S. Treasury Note	02/15/2015	4.000	86,891
U.S. Treasury Note	01/31/2016	2.000	98,458
Certificates of Deposits	03/30/2012	1.500	2,775
Certificates of Deposits	07/30/2012	1.510	50,000
Certificates of Deposits	03/30/2012	1.510	1,000
Certificates of Deposits	06/27/2012	1.000	1,000
Certificates of Deposits	11/02/2012	1.000	50,000
Certificates of Deposits	08/03/2012	1.000	37,048
			<u>\$ 538,453</u>

**Note 3 - Detailed Notes on All Funds (Continued)**

**B. Pledges Receivable, net**

Pledges receivable, net consists of the following at December 31, 2011:

	Capital Projects Fund
Pledges receivable in less than one year	\$ 5,000
Pledges receivable in one to five years	10,000
	15,000
Discount to present value	(292)
	<u>\$ 14,708</u>

Pledges due in more than one year have been discounted using an interest rate of 2%.

**C. Due From/To Other Funds**

The balances reflected as due from/to other funds at December 31, 2011 were as follows:

Fund	Due From	Due To
General	\$ 31,301	\$ -
Non-Major Governmental	20,347	51,648
	<u>\$ 51,648</u>	<u>\$ 51,648</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

**D. Capital Assets**

Changes in the Library's capital assets are as follows:

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Capital Assets, not being depreciated - Land	\$ 641,009	\$ -	\$ -	\$ 641,009

NOTES TO FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2011

**Note 3 - Detailed Notes on All Funds (Continued)**

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Capital Assets, being depreciated:				
Building and improvements	\$ 15,111,533	\$ -	\$ -	\$ 15,111,533
Equipment	1,837,994	30,033	-	1,868,027
Library books	2,674,672	317,574	196,209	2,796,037
Total Capital Assets, being depreciated	<u>19,624,199</u>	<u>347,607</u>	<u>196,209</u>	<u>19,775,597</u>
Less Accumulated Depreciation for:				
Buildings and improvements	764,811	324,225	-	1,089,036
Equipment	401,863	139,910	-	541,773
Library books	2,054,233	274,455	193,286	2,135,402
Total Accumulated Depreciation	<u>3,220,907</u>	<u>738,590</u>	<u>193,286</u>	<u>3,766,211</u>
Total Capital Assets, being depreciated, net	<u>\$ 16,403,292</u>	<u>\$ (390,983)</u>	<u>\$ 2,923</u>	<u>\$ 16,009,386</u>
Capital Assets, net	<u>\$ 17,044,301</u>	<u>\$ (390,983)</u>	<u>\$ 2,923</u>	<u>\$ 16,650,395</u>

Depreciation expense of \$738,590 was charged to the culture and recreation function.

**E. Accrued Liabilities**

Accrued liabilities at December 31, 2011 were as follows:

	General Fund	Non-Major Governmental Funds	Total
Payroll and Employee Benefits	<u>\$ 143,198</u>	<u>\$ 3,286</u>	<u>\$ 146,484</u>

**F. Pension Plan**

The Library participates in the New York State and Local Employees' Retirement System ("ERS") ("System"). This System is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

NOTES TO FINANCIAL STATEMENTS (Continued)  
 DECEMBER 31, 2011

**Note 3 - Detailed Notes on All Funds (Continued)**

Funding Policy - The System is non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary and employees in tier 5 who also contribute 3% of their salary without regard to their years of service. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion and regular pension contributions. Contribution rates for the plan's year ended March 31, 2012 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
1/75I 41J	21.5%
2/75I 41J	19.7
3/A14 41J	15.8
4/A15 41J	15.8
5/A15 41J	12.7

Contributions made or accrued to the System for the current and two preceding years were as follows:

2011	\$	359,589
2010		273,851
2009		135,283

These contributions were equal to 100% of the actuarially required amounts.

The current year contribution was charged to the funds identified below:

<u>Fund</u>	<u>Amount</u>
General	\$ 347,535
Special Revenue	<u>12,054</u>
	<u>\$ 359,589</u>

**G. Line of Credit**

On March 31, 2011 the Library executed a line of credit (the "Line") enabling the Library to borrow up to a maximum of \$650,000. The Line bears interest at 3.25% plus prime on any outstanding balance and expires on March 31, 2012. The Line is collateralized by a security interest in all assets and equipment of the Library. As of December 31, 2011 there was no balance outstanding. Interest expenditures/expense of \$840 was recorded in the fund financial statements in the General Fund and in the government-wide financial statements.

**Note 3 - Detailed Notes on All Funds (Continued)**

**H. Long-Term Liabilities**

The changes in the Library's long-term liabilities during the year ended December 31, 2011 are summarized as follows:

	Balance January 1, 2011	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2011	Due Within One Year
Bonds Payable	\$ 13,410,000	\$ -	\$ 425,000	\$ 12,985,000	\$ 440,000
Add-Unamortized premium on bonds	28,519	-	1,426	27,093	-
	<u>13,438,519</u>	<u>-</u>	<u>426,426</u>	<u>13,012,093</u>	<u>440,000</u>
Other Non-Current Liabilities:					
Compensated Absences	370,666	70,319	37,000	403,985	40,000
Other Post Employment Benefit Obligations Payable	<u>772,335</u>	<u>246,568</u>	<u>52,610</u>	<u>966,293</u>	<u>-</u>
	<u>1,143,001</u>	<u>316,887</u>	<u>89,610</u>	<u>1,370,278</u>	<u>40,000</u>
Total Long-Term Liabilities	<u>\$ 14,581,520</u>	<u>\$ 316,887</u>	<u>\$ 516,036</u>	<u>\$ 14,382,371</u>	<u>\$ 480,000</u>

Each governmental fund's liability for bonds, compensated absences and other post employment benefit obligations is liquidated by the General Fund.

**Bonds Payable**

Bonds payable consists of bonds issued by the City of Poughkeepsie, New York and the Town of Poughkeepsie, New York on behalf of the Library and are comprised of the following:

Description	Issue Date	Original Issue Amount	Final Maturity	Interest Rate	Outstanding at December 31, 2011
Library Improvements:					
City of Poughkeepsie	4/2009	\$ 6,049,852	12/15/2030	2.0-5.0 %	\$ 5,420,000
Town of Poughkeepsie	6/2008	8,465,148	12/01/2031	3.0-5.0	<u>7,565,000</u>
					<u>\$ 12,985,000</u>

Interest expenditures of \$547,424 were recorded in the fund financial statements in the General Fund. Interest expense of \$552,208 was recorded in the government-wide financial statements for governmental activities.

**Note 3 - Detailed Notes on All Funds (Continued)****Payments to Maturity**

The annual requirements to amortize all bonded debt outstanding as of December 31, 2011, including interest payments of \$6,361,819 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 440,000	\$ 537,323	\$ 977,323
2013	455,000	525,073	980,073
2014	475,000	508,985	983,985
2015	495,000	492,010	987,010
2016	515,000	473,960	988,960
2017-2021	2,935,000	2,002,545	4,937,545
2022-2026	3,630,000	1,319,770	4,949,770
2027-2031	4,040,000	502,153	4,542,153
	<u>\$ 12,985,000</u>	<u>\$ 6,361,819</u>	<u>\$ 19,346,819</u>

The above general obligations bonds are direct obligations of the Library, for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the Library.

**Compensated Absences**

Vacation time earned during the fiscal year can be carried over to the succeeding year, subject to limitations as provided in the respective collective bargaining agreement. Employees are entitled to accumulate sick leave up to a maximum amount stipulated in the contract. The value of all compensated absences has been reflected in the government-wide financial statements.

**Other Post Employment Benefit Obligations Payable**

In addition to providing pension benefits, the Library provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Library may vary according to length of service. The cost of providing post employment health care benefits is shared between the Library and the retired employee. Substantially all of the Library's employees may become eligible for those benefits if they reach normal retirement age while working for the Library. The cost of retiree health care benefits is recognized as an expenditure as claims are paid. The Library has recognized revenues and expenditures of \$8,500 for Medicare Part D payments made directly to its health insurance carrier on behalf of its retirees.

The Library's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

**Note 3 - Detailed Notes on All Funds (Continued)**

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Library is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in post retirement benefits are as follows:

<u>Year Ended December 31,</u>	<u>Assumed Increase</u>
2012	6.0 %
2013	6.0
2014	6.0
2015	6.0
2016	6.0
2017 +	5.0

The amortization basis is the level dollar method with an open amortization approach with 27 years remaining in the amortization period. The actuarial assumptions included a 4% investment rate of return. The Library currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the unit credit method.

The number of participants as of December 31, 2011 was as follows:

Active Employees	37
Retired Employees	<u>11</u>
Total	<u><u>48</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)  
 DECEMBER 31, 2011

**Note 3 - Detailed Notes on All Funds (Continued)**

Amortization Component:	
Actuarial Accrued Liability as of January 1, 2011	\$ 2,297,906
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 2,297,906</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (Active plan members)	<u>\$ 2,088,000</u>
UAAL as a Percentage of Covered Payroll	<u>110.05%</u>
Annual Required Contribution	\$ 255,320
Interest on Net OPEB Obligation	30,893
Adjustment to Annual Required Contribution	<u>(39,645)</u>
Annual OPEB Cost	246,568
Contributions Made	<u>(52,610)</u>
Increase in Net OPEB Obligation	193,958
Net OPEB Obligation - Beginning of Year	<u>772,335</u>
Net OPEB Obligation - End of Year	<u>\$ 966,293</u>

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding year is as follows:

<u>Fiscal Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 246,568	21.34 %	\$ 966,293
2010	454,349	8.27	772,335
2009	422,357	15.82	355,542

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

**I. Revenues and Expenditures**

**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. The interfund transfers reflected below have been reported as transfers.



**Note 3 - Detailed Notes on All Funds (Continued)**

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	
General Fund	\$ -	\$ 62,496	\$ 62,496
Non-Major Governmental	4,000	-	4,000
	<u>\$ 4,000</u>	<u>\$ 62,496</u>	<u>\$ 66,496</u>

Transfers are used to move amounts from the operating funds to fulfill commitments for Debt Service and General funds expenditures.

**J. Net Assets**

The components of net assets are detailed below:

*Invested in Capital Assets, net of Related Debt* - the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

*Restricted for Capital Projects* - the component of net assets that reports the amounts restricted for capital projects, exclusive of unexpended bond proceeds and unrestricted interest earnings.

*Restricted for Debt Service* - the component of net assets that reports the difference between assets and liabilities with constraints placed on their use by Local Finance Law.

*Restricted for Special Revenue* - the component of net assets that reports the difference between assets and liabilities with constraints placed on their use by either external parties and/or statute.

*Restricted for Permanent Fund* - the component of net assets that reports the difference between assets and liabilities of the non-expendable trust with constraints placed on their use by external parties.

*Unrestricted* - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**K. Fund Balances**

Certain elements of fund balance are described above. Those additional elements which are not reflected in the statement of net assets but are reported in the governmental funds balance sheet are described below.

NOTES TO FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2011**Note 3 - Detailed Notes on All Funds (Continued)**

	General Fund	Capital Projects Fund	Non-Major Governmental	Total
Nonspendable - Permanent Fund	\$ -	\$ -	\$ 468,853	\$ 468,853
Restricted:				
Debt service	-	-	304,317	304,317
Capital projects	-	299,958	-	299,958
	-	299,958	304,317	604,275
Assigned:				
Purchases on order- Culture and recreation	107,358	-	-	107,358
Grant Fund	-	-	287,912	287,912
	107,358	-	287,912	395,270
Unassigned	260,298	-	-	260,298
Total Fund Balance	<u>\$ 367,656</u>	<u>\$ 299,958</u>	<u>\$ 1,061,082</u>	<u>\$ 1,728,696</u>

Purchases on order are assigned and represent the Library's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted, committed or assigned.

**Note 4 - Summary Disclosure of Significant Contingencies****A. Litigation**

There are currently pending tax certiorari proceedings, the results of which could require the payment of future tax refunds by the Library, if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of the possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year in which the payment is made.

**B. Risk Management**

The Library purchases various conventional insurance policies to reduce its exposure to loss. The Library maintains general liability coverage with policy limits of \$2 million. In addition, the Library maintains an umbrella liability policy which provides coverage up to \$10 million. The Library also purchases conventional workers' compensation and medical insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 4 - Summary Disclosure of Significant Contingencies (Continued)**

**C. Contingencies**

The Library participates in various Federal grant programs. These programs may be subject to program compliance audits pursuant to the Single Audit Act. Accordingly, the Library's compliance with applicable grant requirements may be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Library anticipates such amounts, if any, to be immaterial.

**D. Operating Lease**

The Library leases a building for use in its operations under an operating lease agreement. Total rental expense under the operating lease for 2011 was \$117,053. The minimum annual lease payments as of December 31, 2011 are payable as follows:

2012	\$	110,868
2013		111,977
2014		113,096
2015		114,793
		<hr/>
	\$	<u>450,734</u>

**Note 5 - Other Matters**

On June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This law applies to all local governments.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a library district in a particular year, beginning with the 2012-2013 fiscal year. It expires on June 16, 2016.

The following is a brief summary of certain relevant provisions of the Tax Levy Limitation Law. The summary is not complete and the full text of the Tax Levy Limitation Law should be read in order to understand the details and implementations thereof.

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy, subject to certain exceptions. The Tax Levy Limitation Law permits the Library to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor," which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by (ii) the average of the National Consumer Price Indexes determined by the United States with the result expressed as a decimal to four places. The Library is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the Library, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Library. The Library Board may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Library Board first enacts, by a vote of at least sixty percent of the total voting power of the Library Board, a local law to override such limit for such coming fiscal year.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS  
 OTHER POST EMPLOYMENT BENEFITS  
 LAST THREE FISCAL YEARS

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
January 1, 2009	\$ -	\$ 3,695,885	\$ 3,695,885	- %	\$ 2,564,860	144.10 %
January 1, 2010	-	2,297,906	2,297,906	-	2,088,000	110.05

Note - The Library implemented the provisions of Governmental Accounting Standards Board Statement No. 45 in fiscal year ended December 31, 2009.

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

GENERAL FUND  
BALANCE SHEET  
DECEMBER 31, 2011

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ASSETS

Cash - Demand deposits	\$ 766,282
Receivables:	
Accounts	37,748
Due from other funds	<u>31,301</u>
Total Assets	<u><u>\$ 835,331</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 41,981
Accrued liabilities	143,198
Due to retirement systems	<u>282,496</u>
Total Liabilities	<u>467,675</u>
Fund Balance:	
Assigned	107,358
Unassigned	<u>260,298</u>
Total Fund Balance	<u>367,656</u>
Total Liabilities and Fund Balance	<u><u>\$ 835,331</u></u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Real property taxes	\$ 5,358,564	\$ 5,358,564	\$ 5,358,564	\$ -
Other tax items	5,000	9,389	9,390	1
Departmental income	80,000	80,000	86,040	6,040
Use of money and property	20,000	10,500	10,900	400
State aid	247,224	230,576	227,043	(3,533)
Local sources-County	105,160	74,081	89,744	15,663
Gifts and donations	156,060	166,060	150,395	(15,665)
Health insurance reimbursement	60,277	62,346	61,889	(457)
Miscellaneous	71,300	70,500	46,244	(24,256)
<b>Total Revenues</b>	<b>6,103,585</b>	<b>6,062,016</b>	<b>6,040,209</b>	<b>(21,807)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General support - Metropolitan commuter transportation mobility tax	8,525	8,526	8,403	123
<b>Culture and recreation:</b>				
Personal services	2,496,960	2,487,290	2,480,305	6,985
Equipment	16,500	34,207	32,638	1,569
Contractual	1,677,065	1,540,924	1,399,327	141,597
Employee benefits	1,122,441	1,190,505	1,064,467	126,038
	5,312,966	5,252,926	4,976,737	276,189
<b>Debt service:</b>				
Principal	425,000	425,000	425,000	-
Interest	550,425	550,425	548,264	2,161
	975,425	975,425	973,264	2,161
<b>Total Expenditures</b>	<b>6,296,916</b>	<b>6,236,877</b>	<b>5,958,404</b>	<b>278,473</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(193,331)</b>	<b>(174,861)</b>	<b>81,805</b>	<b>256,666</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	4,000	4,000	-
Transfers out	-	-	(62,496)	(62,496)
<b>Total Other Financing Uses</b>	<b>-</b>	<b>-</b>	<b>(58,496)</b>	<b>(62,496)</b>
<b>Net Change in Fund Balance</b>	<b>(193,331)</b>	<b>(170,861)</b>	<b>23,309</b>	<b>194,170</b>
<b>Fund Balance - Beginning of Year, as reported</b>	<b>193,331</b>	<b>170,861</b>	<b>307,702</b>	<b>136,841</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>36,645</b>	<b>36,645</b>
<b>Fund Balance - Beginning of Year, as restated</b>	<b>193,331</b>	<b>170,861</b>	<b>344,347</b>	<b>173,486</b>
<b>Fund Balance - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 367,656</b>	<b>\$ 367,656</b>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

CAPITAL PROJECTS FUND  
BALANCE SHEET  
DECEMBER 31, 2011

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ASSETS

Cash - Demand deposits	\$ 312,392
Receivables:	
Accounts	2,000
Pledges, net	14,708
	<u>16,708</u>
Total Assets	<u>\$ 329,100</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 19,434
Deferred revenue	9,708
	<u>29,142</u>
Total Liabilities	29,142
Fund Balance - Restricted	<u>299,958</u>
Total Liabilities and Fund Balance	<u>\$ 329,100</u>

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POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2011

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Revenues:	
Use of money and property	\$ 1,263
State aid	78,192
Miscellaneous	<u>40,037</u>
Total Revenues	119,492
Expenditures - Capital outlay	<u>20,164</u>
Excess of Revenues Over Expenditures	99,328
Fund Balance - Beginning of Year	<u>200,630</u>
Fund Balance - End of Year	<u>\$ 299,958</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

CAPITAL PROJECTS FUND

PROJECT-LENGTH SCHEDULE

INCEPTION OF PROJECT THROUGH DECEMBER 31, 2011

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<u>Project</u>	<u>Authorization</u>	<u>Expendi- tures and Liabilities</u>	<u>Unexpended Balance</u>
Supplemental Appropriation for Planning	\$ 698,193	\$ 451,535	\$ 246,658
Misc Capital Projects	62,694	21,292	41,402
Totals	<u>\$ 760,887</u>	<u>\$ 472,827</u>	<u>\$ 288,060</u>

<u>Methods of Financing</u>			Fund Balance at December 31, 2011
<u>Miscellaneous</u>	<u>Transfers</u>	<u>Totals</u>	
\$ 22,431	\$ 698,193	\$ 720,624	\$ 269,089
52,161	-	52,161	30,869
<u>\$ 74,592</u>	<u>\$ 698,193</u>	<u>\$ 772,785</u>	<u>\$ 299,958</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 DECEMBER 31, 2011

	Special Revenue Fund	Permanent Fund	Debt Service Fund	Total Non-Major Governmental Funds
<u>ASSETS</u>				
Cash and Equivalents	\$ 262,197	\$ -	\$ 303,570	\$ 565,767
Investments	50,000	488,453	-	538,453
Due from Other Funds	19,600	-	747	20,347
 Total Assets	 <u>\$ 331,797</u>	 <u>\$ 488,453</u>	 <u>\$ 304,317</u>	 <u>\$ 1,124,567</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accrued liabilities	\$ 3,286	\$ -	\$ -	\$ 3,286
Due to retirement systems	8,551	-	-	8,551
Due to other funds	32,048	19,600	-	51,648
 Total Liabilities	 <u>43,885</u>	 <u>19,600</u>	 <u>-</u>	 <u>63,485</u>
Fund Balances:				
Nonspendable	-	468,853	-	468,853
Restricted	-	-	304,317	304,317
Assigned	287,912	-	-	287,912
 Total Fund Balances	 <u>287,912</u>	 <u>468,853</u>	 <u>304,317</u>	 <u>1,061,082</u>
 Total Liabilities and Fund Balances	 <u>\$ 331,797</u>	 <u>\$ 488,453</u>	 <u>\$ 304,317</u>	 <u>\$ 1,124,567</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES  
 YEAR ENDED DECEMBER 31, 2011

	Special Revenue Fund	Permanent Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues:				
Use of money and property	\$ 16,569	\$ -	\$ 1,881	\$ 18,450
Federal aid	126,250	-	-	126,250
Miscellaneous	11,100	-	-	11,100
Total Revenues	<u>153,919</u>	<u>-</u>	<u>1,881</u>	<u>155,800</u>
Expenditures -				
Current:				
Culture and recreation	103,638	-	-	103,638
Employee benefits	22,133	-	-	22,133
Total Expenditures	<u>125,771</u>	<u>-</u>	<u>-</u>	<u>125,771</u>
Excess of Revenues Over Expenditures	<u>28,148</u>	<u>-</u>	<u>1,881</u>	<u>30,029</u>
Other Financing Sources (Uses):				
Transfers in	-	-	62,496	62,496
Transfers out	(4,000)	-	-	(4,000)
Total Other Financing Sources (Uses)	<u>(4,000)</u>	<u>-</u>	<u>62,496</u>	<u>58,496</u>
Net Change in Fund Balances	24,148	-	64,377	88,525
Fund Balances - Beginning of Year	<u>263,764</u>	<u>468,853</u>	<u>239,940</u>	<u>972,557</u>
Fund Balances - End of Year	<u>\$ 287,912</u>	<u>\$ 468,853</u>	<u>\$ 304,317</u>	<u>\$ 1,061,082</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

SPECIAL REVENUE FUND  
BALANCE SHEET  
DECEMBER 31, 2011

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ASSETS

Cash and Equivalents	\$ 262,197
Investments	50,000
Due from Other Funds	<u>19,600</u>
Total Assets	<u>\$ 331,797</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accrued liabilities	\$ 3,286
Due to retirement systems	8,551
Due to other funds	<u>32,048</u>
Total Liabilities	43,885
Fund Balance - Assigned	<u>287,912</u>
Total Liabilities and Fund Balance	<u>\$ 331,797</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2011

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Revenues:	
Use of money and property	\$ 16,569
Federal aid	126,250
Miscellaneous	<u>11,100</u>
Total Revenues	<u>153,919</u>
Expenditures -	
Current:	
Culture and recreation	103,638
Employee benefits	<u>22,133</u>
Total Expenditures	<u>125,771</u>
Excess of Revenues Over Expenditures	28,148
Other Financing Uses-	
Transfers out	<u>(4,000)</u>
Net Change in Fund Balance	24,148
Fund Balance - Beginning of Year	<u>263,764</u>
Fund Balance - End of Year	<u>\$ 287,912</u>

POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

PERMANENT FUND  
BALANCE SHEET  
DECEMBER 31, 2011

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ASSETS

Investments \$ 488,453

LIABILITIES AND FUND BALANCE

Liabilities - Due to Other Funds \$ 19,600

Fund Balance - Nonspendable 468,853

Total Liabilities and Fund Balance \$ 488,453



POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

DEBT SERVICE FUND  
BALANCE SHEET  
DECEMBER 31, 2011

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ASSETS

Cash	\$ 303,570
Due from Other Funds	<u>747</u>

\$ 304,317

FUND BALANCE

Restricted	<u>\$ 304,317</u>
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POUGHKEEPSIE PUBLIC LIBRARY DISTRICT, NEW YORK

DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2011

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Revenues - Use of money and property	\$ 1,881
Expenditures	<u>-</u>
Excess of Revenues Over Expenditures	1,881
Other Financing Sources- Transfers In	<u>62,496</u>
Net Change in Fund Balance	64,377
Fund Balance - Beginning of Year	<u>239,940</u>
Fund Balance - End of Year	<u><u>\$ 304,317</u></u>



