

**VOORHEESVILLE PUBLIC LIBRARY**

**Financial Statements  
and  
Required Report  
as of June 30, 2013  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT**

October 28, 2013

To the Board of Trustees of  
Voorheesville Public Library:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Voorheesville Public Library (the Library), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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

(Continued)

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## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### **Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 22 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

# **VOORHEESVILLE PUBLIC LIBRARY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2013**

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Our discussion and analysis of Voorheesville Public Library's (Library) financial performance provides an overview of the financial activities for the year ended June 30, 2013. This document should be read in conjunction with the Library's financial statements which begin on page 7.

### **USING THIS ANNUAL REPORT**

This annual report consists of a set of financial statements and notes. The Statement of Net Position and the Statement of Activities (on pages 7 and 8) provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. Fund financial statements begin on page 9. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide statements by comparing budget totals to actual.

### **REPORTING THE LIBRARY AS A WHOLE**

Our analysis of the Library as a whole begins below. One of the most important questions asked about the Library's finances is, "Is Voorheesville Public Library, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Library as a whole and about its activities in a manner that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report Voorheesville Public Library's net position and changes in them. You can think of the Library's net position – the difference between assets and liabilities – as one way to measure the Library's financial health, or financial position. Over time, increases or decreases in the Library's net position are one indicator of whether its financial health is improving or deteriorating.

### **THE GOVERNMENT AS A WHOLE**

The Library's net position decreased from \$929,568 to \$616,659 as depicted in the following table. This decrease can be attributed to a change in valuation of fixed assets during the year.

**THE GOVERNMENT AS A WHOLE (Continued)**

**Table 1**

	<b>Governmental Activities</b>			<b>Percentage Change</b>
	<b>2013</b>	<b>2012</b>	<b>Change</b>	
Current assets	\$ 419	\$ 332	\$ 87	26%
Capital assets	406	825	(419)	-51%
Total assets	<u>\$ 825</u>	<u>\$ 1,157</u>	<u>\$ (332)</u>	-29%
Current liabilities	\$ 132	\$ 131	\$ 1	1%
Non current liabilities	\$ 77	\$ 96	(19)	
Total liabilities	<u>\$ 209</u>	<u>\$ 227</u>	<u>\$ 1</u>	0%
Net Position:				
Invested in capital assets, net of related debt	\$ 406	\$ 825	\$ (419)	-51%
Unrestricted	211	105	106	101%
Total net position	<u>\$ 617</u>	<u>\$ 930</u>	<u>\$ (313)</u>	-34%

Significant variances are explained below.

- Capital assets and Net Position invested in capital assets decreased primarily due to a change in the valuation of capital assets caused by a full inventory being completed.

The Library's fiscal year 2013 revenue totaled \$1,086,700 (see Table 2). Property taxes accounted for approximately 97% of total revenue. Expenditures totaled \$1,399,610 of which 54% is comprised of salary and benefits for librarians and support staff.

	<b>Table 2</b> Change in Net Position Governmental Activities			<b>Percentage Change</b>
	<b>2013</b>	<b>2012</b>	<b>Change</b>	
Revenue				
Program revenue:				
Charges for services	\$ 16	\$ 17	\$ (1)	-6%
Operating grants	7	9	(2)	-22%
General revenue:				
Real property taxes	1,059	1,031	28	3%
Interest income	1	1	-	0%
Donations	4	8	(4)	-50%
Total revenue	<u>1,087</u>	<u>1,066</u>	<u>21</u>	2%
Program expenses:				
Culture and recreation	1,400	1,051	349	33%
Total expenses	<u>1,400</u>	<u>1,051</u>	<u>349</u>	33%
Change in net position	<u>\$ (313)</u>	<u>\$ 15</u>	<u>\$ (328)</u>	-2187%

## THE GOVERNMENT AS A WHOLE (Continued)

Significant variances are explained below.

- Culture and recreation expenses increased primarily as a result of the change in the valuation of the fixed assets.

Table 3 presents the cost of the Library's governmental function of culture and recreation – as well as the program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Library by this function.

**Table 3**  
Governmental Activities

	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>Total Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Net Cost of Services</u>
Culture and recreation	<u>\$ 1,399,610</u>	<u>\$ 1,050,898</u>	<u>\$ 1,376,450</u>	<u>\$ 1,024,008</u>

- The cost of all governmental activities this year was \$1,399,610.
- The users of the Library's programs financed \$15,956 of the costs.
- State operating grants subsidized certain programs with contributions in the amount of \$7,204.
- Most of the Library's net costs \$1,394,518 was financed by local taxpayers.

## FUND ANALYSIS

The Library utilizes three funds – General, Special Miscellaneous, and Capital. The General Fund is used for the operations of the Library. Significant activities in the General Fund consist of salary and benefits to library staff, maintenance and operation of the library building, and purchase of books, periodicals, and other resources for the community's use. The General Fund ended the year with an operating surplus of \$103,091 and a fund balance of \$307,069. The Capital fund ended the year with a \$37,168 operating deficit resulting from expenditures related to a capital campaign that was not approved by the voters. The Special Miscellaneous fund is used to account for donations and fundraising for the purpose of aiding the Library in funding the capital campaign and \$7,500 was transferred out of this fund in 2013 to help support the costs in the Capital fund.

## GENERAL FUND BUDGETARY HIGHLIGHTS

In the 2013 general fund budget revenue was projected to be \$1,0970,119 and actual revenue was \$1,086,310 resulting in an unfavorable variance of \$3,809.

Overall expenditures were budgeted at \$1,090,119; actual expenditures were \$983,219, resulting in a favorable variance of \$86,900. This favorable variance was primarily due to a reduction in staffing.

## GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

The general fund balance at the end of the year was \$307,069. The current fund balance is necessary to sustain library operations.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2013, the Library had \$406,002 invested in a broad range of capital assets including land, buildings, furniture and fixtures, and other equipment, net of accumulated depreciation.

**Table 4**  
Capital Assets (Net of Depreciation)

	<u>2013</u>	<u>2012</u>
Land	\$ 154,706	\$ 154,706
Equipment	17,837	39,760
Buildings and improvements	230,258	521,095
Furniture and fixture	3,201	8,121
Construction in progress	-	101,210
Net fixed assets	<u>\$ 406,002</u>	<u>\$ 824,892</u>

## FACTORS BEARING ON THE FUTURE OF VOORHEESVILLE PUBLIC LIBRARY

The Library was aware of existing circumstances that could significantly affect its financial health in the future:

- The cost of the New York State Retirement benefits increased significantly over the past two years and costs will fluctuate as the market conditions change. More staff members have chosen to participate in the NY State Retirement benefit program which increases the cost to the Library.
- The Library building is aging and will require continual upkeep and repair, increasing the cost of operations.

## CONTACTING VOORHEESVILLE PUBLIC LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Voorheesville Public Library  
Gail Sacco, Library Director  
51 School Road  
Voorheesville, New York 12186

# VOORHEESVILLE PUBLIC LIBRARY

## STATEMENT OF NET POSITION JUNE 30, 2013

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### ASSETS

#### CURRENT ASSETS:

Cash	\$	415,849
Other receivables		392
Prepaid expenses		<u>3,198</u>

Total current assets 419,439

#### NONCURRENT ASSETS:

Capital assets, net of accumulated depreciation		<u>406,002</u>
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TOTAL ASSETS 825,441

### LIABILITIES

#### CURRENT LIABILITIES:

Accounts payable and accrued expenses		43,266
Due to ERS		88,494
Unearned revenue		133

#### LONG TERM LIABILITIES

Compensated absences		41,626
Other post employment benefits		<u>35,263</u>

TOTAL LIABILITIES 208,782

### NET POSITION

Investment in capital assets		406,002
Unrestricted		<u>210,657</u>

TOTAL NET POSITION \$ 616,659

The accompanying notes are an integral part of these statements.

**VOORHEESVILLE PUBLIC LIBRARY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

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	<u>Expenses</u>	<u>Program Revenue</u>			Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
FUNCTIONS/PROGRAMS:					
Culture and recreation	\$ 1,399,610	\$ 15,956	\$ 7,204	\$ -	\$ (1,376,450)
GENERAL REVENUE:					
Real property taxes					1,059,122
Interest income					538
Donations					<u>3,881</u>
TOTAL GENERAL REVENUE					<u>1,063,541</u>
CHANGE IN NET POSITION					(312,909)
NET POSITION - beginning of year					<u>929,568</u>
TOTAL NET POSITION - end of year					<u>\$ 616,659</u>

The accompanying notes are an integral part of these statements.

**VOORHEESVILLE PUBLIC LIBRARY**

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCE TO GOVERNMENT-WIDE NET POSITION  
JUNE 30, 2013**

	General	Special Miscellaneous	Capital Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 395,844	\$ 18,905	\$ 1,100	\$ 415,849
Other receivables	392	-	-	392
Due from other funds	39,528	-	-	39,528
Prepaid expenses	3,198	-	-	3,198
<b>TOTAL ASSETS</b>	<b>\$ 438,962</b>	<b>\$ 18,905</b>	<b>\$ 1,100</b>	<b>\$ 458,967</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 43,266	\$ -	\$ -	\$ 43,266
Due to other funds	-	1,260	38,268	39,528
Due to ERS	88,494	-	-	88,494
Unearned revenue	133	-	-	133
<b>TOTAL LIABILITIES</b>	<b>131,893</b>	<b>1,260</b>	<b>38,268</b>	<b>171,421</b>
<b>FUND BALANCES:</b>				
Restricted	-	17,645	-	17,645
Assigned				
Capital reserve	30,000	-	-	30,000
Appropriated for subsequent year's expenditures	10,000	-	-	10,000
Unappropriated	1,564	-	-	1,564
Unassigned	265,505	-	(37,168)	228,337
<b>TOTAL FUND BALANCES</b>	<b>307,069</b>	<b>17,645</b>	<b>(37,168)</b>	<b>287,546</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 438,962</b>	<b>\$ 18,905</b>	<b>\$ 1,100</b>	<b>\$ 458,967</b>

Amounts reported for governmental activities in the statement of net position are different due to the following:

Fund balance, all governmental funds	\$ 287,546
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	406,002
Other postemployment benefits are recognized as a liability under full accrual accounting	(35,263)
Compensated absences are recognized as a liability under full accrual accounting	(41,626)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 616,659</b>

The accompanying notes are an integral part of these statements.

**VOORHEESVILLE PUBLIC LIBRARY**

**STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<i>General</i>	<i>Special Miscellaneous</i>	<i>Capital Fund</i>	<i>Total Governmental Funds</i>
<b>REVENUE:</b>				
Real property taxes	\$ 1,059,122	\$ -	\$ -	\$ 1,059,122
Library fees	15,956	-	-	15,956
Interest income	538	-	-	538
Donations	3,490	390	-	3,880
State grants	7,204	-	-	7,204
	<u>1,086,310</u>	<u>390</u>	<u>-</u>	<u>1,086,700</u>
<b>EXPENDITURES:</b>				
General support	834,569	-	-	834,569
Special programs	6,243	150	-	6,393
Employee benefits	142,407	-	-	142,407
Capital outlay	-	-	16,727	16,727
	<u>983,219</u>	<u>150</u>	<u>16,727</u>	<u>1,000,096</u>
<b>Other sources and uses:</b>				
Transfers in	-	-	7,500	7,500
Transfers out	-	(7,500)	-	(7,500)
	<u>-</u>	<u>(7,500)</u>	<u>7,500</u>	<u>-</u>
<b>EXCESS/(DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>103,091</b>	<b>(7,260)</b>	<b>(9,227)</b>	<b>86,604</b>
<b>FUND BALANCES - beginning of year</b>	<b><u>203,978</u></b>	<b><u>24,905</u></b>	<b><u>(27,941)</u></b>	<b><u>200,942</u></b>
<b>FUND BALANCES - end of year</b>	<b><u>\$ 307,069</u></b>	<b><u>\$ 17,645</u></b>	<b><u>\$ (37,168)</u></b>	<b><u>\$ 287,546</u></b>

The accompanying notes are an integral part of these statements.

## VOORHEESVILLE PUBLIC LIBRARY

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

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Net changes in fund balance - Total governmental funds	\$ 86,604
Capital outlays and revaluations are expenditures in governmental funds, but are capitalized in the statement of net position	(490,816)
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statements of activities	(23,801)
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	8,961
Accrued post-employment benefits do not require the expenditure of current resources and are, therefore are not reported as expenditures in the governmental funds.	<u>4,933</u>
Change in net position - Governmental activities	<u>\$ (414,119)</u>

The accompanying notes are an integral part of these statements.

# VOORHEESVILLE PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENT JUNE 30, 2013

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### 1. NATURE OF OPERATIONS

Voorheesville Public Library (Library) is a municipal corporation in the State of New York and was formed in 1949. The Library commenced operations during 1949 in the town of Voorheesville, New York and is governed by a Board of Trustees which may consist of as many as nine members. A substantial portion of the Library's funding is provided by the town of Voorheesville taxpayers billed through the Voorheesville Central School District.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Voorheesville Public Library (Library) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the entity's accounting policies are described below.

#### **Recent Accounting Pronouncements**

In July 2011, GASB issued statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*" This statement updates and improves existing standards by providing users with information about how past transactions will continue to impact a government's financial statements in the future. The statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities and identifies net position as the residual of all other elements presented. The Library adopted the provisions of this statement for the year ended June 30, 2013. The implementation of the provisions of this statement did not have a material effect on the financial statements of the Library.

#### **Basis of Presentation**

##### Government-Wide Financial Statements

The statement of net position and the statement of activities present financial information about the Library's governmental activities. These statements include the financial activities of the overall government in its entirety. Eliminations have been made to minimize the double-counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### Government-Wide Financial Statements (Continued)

The statement of activities presents a comparison between direct expenses and program revenue for each function of the Library's governmental 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 Library's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of Library are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements.

The fund types used by Voorheesville Public Library are as follows:

- A. General Fund - The general fund is the principal fund of the Library and includes all operations not required to be recorded in other funds.
- B. Special Miscellaneous – used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specified purpose.
- C. Capital Fund - The capital projects fund is used to account for financial resources used for the acquisition or construction of major capital projects.

### **Basis of Accounting and Measurement Focus**

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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. Proceeds from issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Library's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in the notes.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including useful lives of long-lived assets.

### Cash and Investments

The Library's cash consists of cash on hand and demand deposits. New York State law governs the Library's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state.

Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value.

### Capital Assets

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

The capitalization threshold for buildings, building improvements, furniture and computer equipment is established at \$300. Depreciation is computed using the straight-line method over the estimated useful life of the capital asset and is reported as an expense in the Library-wide statements. The following are the estimated useful lives:

Land	N/A
Buildings	45 years
Buildings improvements and landscaping	15 years
Machinery and equipment	3-5 years
Furniture and fixtures	10-15 years

### Prepaid Expenses

Prepaid expenses represent payments made by the Library for which benefits extend beyond year-end.

### Other Benefits

Library employees participate in the New York State and Local Employees' Retirement System.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Budgetary Procedures and Budgetary Accounting**

#### Budgetary Procedures

The Library employs the following budgetary procedures:

- A. The Library administration prepares a proposed budget for approval by the Board of Trustees.
- B. The proposed budget is voted on by the voters within the district in September as determined by the trustees. The proposed appropriation budget for the general fund was approved by the voters within the district.
- C. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of need which exists that was not initially determined at the time the budget was adopted.

#### Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations are adopted at the program level. Appropriations established by adoption of the budget constitute a limitation on the expenditures which may be incurred. Appropriations lapse at the fiscal year end.

### **Property Taxes**

Library assessments are levied annually as a separate resolution on the same assessment as the Voorheesville Central School District. Uncollected real property taxes are subsequently enforced by the County in which the resident is located.

### **Equity Classifications**

#### Government-Wide Statements

In the Government-wide statements, there are three classes of net position:

Net investment in capital assets – consists of net capital position, (cost less accumulated depreciation).

Restricted net position – reports net position when constraints placed on the assets are either externally imposed by creditors, (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the Library.

#### Fund Statements

In the fund financial statements there are five allowable classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance consists of the prepaid expenditures in the general fund at June 30, 2013.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Equity Classifications (Continued)

#### Fund Statements (Continued)

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the Library's highest level of decision making authority, i.e., the Board of Trustees. The Library has no committed fund balances at June 30, 2012

Assigned fund balance – Includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. Amounts designated for subsequent years' expenditures reported in the general fund amount to \$10,000 at June 30, 2013.

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the Library.

Deficit fund balance – Currently the Capital fund has a deficit fund balance of \$37,168. This amount is mainly due to the initial costs of the capital campaign and will be funded in future years.

#### Order of Fund Balance Spending Policy

The Library's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Change in Estimate - For the year ended June 30, 2013, the Library changed the useful life estimate for fixed assets. The change is being applied prospectively, beginning July 1, 2012. The effect of this change in the current period is a decrease of \$403,409 in governmental activities expenses and a corresponding decrease in changes in net position for governmental activities.

## 3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND LIBRARY-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Library-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.

### **Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balances of the Library's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

**3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND LIBRARY-WIDE STATEMENTS (Continued)**

**Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities**

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

**4. CASH AND INVESTMENTS**

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. Generally accepted accounting principles 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 with securities held by pledging financial institution in the Library's name	\$	-
Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name	\$	430,469

As of June 30, 2013, all of the deposits at year-end were covered by federal depository insurance.

The Library typically does not purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The Library typically does not purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

## 5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013, is as follows:

	Balance Beginning of Year	Additions	Disposals	Change in Accounting Estimate	Balance End of Year
Capital assets - not depreciated					
Land	\$ 154,706	\$ -	\$ -	\$ -	\$ 154,706
Construction in progress	101,210	-	-	(101,210)	-
Total non-depreciable cost	<u>255,916</u>	<u>-</u>	<u>-</u>	<u>(101,210)</u>	<u>154,706</u>
Capital assets - depreciated					
Equipment	226,352	8,320	-	(75,673)	158,999
Buildings and improvements	625,103	-	-	41,344	666,447
Furniture and fixture	133,776	-	-	(10,760)	123,016
Total depreciable cost	<u>985,231</u>	<u>8,320</u>	<u>-</u>	<u>(45,089)</u>	<u>948,462</u>
Less: Accumulated depreciation					
Equipment	186,592	6,352	-	(51,782)	141,162
Buildings and improvements	104,008	15,806	-	316,375	436,189
Furniture and fixture	125,655	1,643	-	(7,483)	119,815
Total accumulated depreciation	<u>416,255</u>	<u>23,801</u>	<u>-</u>	<u>257,110</u>	<u>697,166</u>
Capital assets, net	<u>\$ 824,892</u>	<u>\$ (15,481)</u>	<u>\$ -</u>	<u>\$ (403,409)</u>	<u>\$ 406,002</u>

Depreciation expense of \$23,801 was allocated to culture and recreation for the year ended June 30, 2013.

## 6. INTERFUND BALANCE AND ACTIVITY

	Interfund		Interfund	
	Receivable	Payable	Revenue	Expenditure
General fund	\$ 39,528	\$ -	\$ -	\$ -
Special Miscellaneous	-	1,260	-	7,500
Capital fund	-	38,268	7,500	-
	<u>\$ 39,528</u>	<u>\$ 39,528</u>	<u>\$ 7,500</u>	<u>\$ 7,500</u>

Interfund receivables and payables, other than between governmental activities and are eliminated on the statement of net position.

All interfund payables are expected to be repaid within one year.

## 7. LONG TERM DEBT

The following summarizes long-term debt activity of the Library for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Deletions</u>	<u>Ending Balance</u>
Other liabilities:				
Other post employment benefits	\$ 40,196	\$ -	\$ 4,933	\$ 35,263
Compensated absences	<u>45,104</u>	<u>-</u>	<u>3,478</u>	<u>41,626</u>
Total Long Term Debt	<u>\$ 85,300</u>	<u>\$ -</u>	<u>\$ 8,411</u>	<u>\$ 76,889</u>

## 8. RETIREMENT SYSTEM

### Pension Plan

Voorheesville Public Library participates in the New York State and Local Employees' Retirement System (ERS) (the system). The system is a cost-sharing, multiple employer, and public employee retirement system. The system offers a wide range of plans and benefits that are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

### Employees' Retirement System (ERS)

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

### Funding Policies

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. The Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund.

The Library is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>
2013	\$74,564
2012	\$75,683
2011	\$56,956

The Library's contributions made to the System were equal to 100% of the contributions required for each year.

**9. OTHER POST EMPLOYMENT BENEFITS**

**Plan Description**

The Library provides postemployment health insurance coverage to retired employees in accordance with the provision of its personnel policy manual. The Library implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, in the year ended June 30, 2012. This statement requires the Library to calculate and record a net other postemployment benefit obligation (“OPEB”) at year end.

Employees who attain 15 years of full time employment may become eligible for these benefits if they reach age 62 while working for the Library; until they become eligible for other health insurance benefits, including Medicare eligibility at age 65. During this period the Library will pay 100% of the cost of premiums for individual coverage, unless the retiree is eligible to receive subsidies for similar type coverage from another employer, or former employer of the retiree, or the retiree’s spouse. The Library has estimated as of June 30, 2013, its liability for other postemployment benefits to be \$35,263.

Currently, the Library does not have any retirees for which other post-employment benefits are being paid.

**Funding Policy**

The obligations of the OPEB Plan are established by action of the Library pursuant to applicable collective bargaining and employment agreements. The Library will pay its portion of the premium for the retiree and spouse as described above. The costs of administering the OPEB Plan are paid by the Library.

The Library currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. The amount paid by the District for the year ended June 30, 2013, was \$0.

**Funding status and Funding Progress**

As of June 30, 2013, the plan was 0% funded. Valuations of an ongoing plan involve estimate of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The Library’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year 2013 and the preceding year are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ -	0%	\$ 47,702
6/30/2013	-	0%	35,263

**Estimated Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members). The actual methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in estimated accrued liabilities and the estimated value of assets, consistent with the long-term perspective of the calculations.

As of June 30, 2013 the assumptions included a 4% investment rate of return and an annual healthcare cost trend rate of 9% initially, reduced to an ultimate rate of 5% after 5 years.

## 10. COMMITMENTS AND CONTINGENCIES

### Other Contingencies

The Library participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The Library believes that, based upon its review of current activity and prior experience, the amount of disallowances, resulting from these audits, if any, will be immaterial to the Library's financial position or results of operations.

### Unemployment Insurance

Effective January 11, 1979, unemployment insurance coverage became mandatory for governmental entities. Governmental entities were permitted to discharge their liability by either (a) contribution tax method, or (b) benefit reimbursement method. The Library has elected to pay using the benefit reimbursement method, whereby the Library will reimburse the Unemployment Insurance Fund for all benefits paid to former employees of the Library.

## 11. IMPACT OF FUTURE GASB PRONOUNCEMENTS

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. This standard modifies requirements for inclusion of component units in the Library's financial statements. This standard provides additional guidance on blending component units. The Library is required to adopt the provisions of Statement No. 61 for the year ending June 30, 2014. The Library's management has not yet assessed the impact of this statement on its future financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. This standard improves accounting and financial reporting by clarifying guidance regarding risk financing, operating lease payments, and accounting for loans. The Library is required to adopt the provisions of Statement No. 66 for the year ending June 30, 2014. The Library's management has not yet assessed the impact of this statement on its future financial statements.

In June 2012, the GASB issued Statements No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25, and No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of Statement No. 67 is to improve financial reporting by state and local governmental pension plans. Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria.

Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. The Library is required to adopt the provisions of these Statements for the year ending June 30, 2015, with early adoption encouraged. The Library's management has not yet assessed the impact of this statement on its future financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Library is required to adopt the provisions of this Statement for the year ending June 30, 2015. A prospective basis should be applied and early adoption is encouraged. The Library's management has not yet assessed the impact of this statement on its future financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

## VOORHEESVILLE PUBLIC LIBRARY

### STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<i>Variance Favorable (Unfavorable)</i>
REVENUE:			
Real property taxes	\$ 1,059,119	\$ 1,059,122	\$ 3
Library fees	21,000	15,956	(5,044)
Interest income	500	538	38
Donations	4,500	3,490	(1,010)
State grants	<u>5,000</u>	<u>7,204</u>	<u>2,204</u>
Total revenue	<u>1,090,119</u>	<u>1,086,310</u>	<u>(3,809)</u>
EXPENDITURES:			
General support	871,300	834,569	36,731
Special programs	7,000	6,243	757
Employee benefits	<u>191,819</u>	<u>142,407</u>	<u>49,412</u>
Total expenditures	1,070,119	983,219	86,900
OTHER SOURCES (USES)			
Other budgetary items	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
NET CHANGE IN FUND BALANCES	<u>(10,000)</u>	<u>103,091</u>	<u>113,091</u>
FUND BALANCES - beginning of year	<u>203,978</u>	<u>203,978</u>	<u>-</u>
FUND BALANCES - end of year	<u>\$ 193,978</u>	<u>\$ 307,069</u>	<u>\$ 113,091</u>

The accompanying notes are an integral part of these statements.

**OTHER REQUIRED REPORT**

**INDEPENDENT AUDITOR'S 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**

October 28, 2013

The Board of Trustees  
Voorheesville Public Library:

We have audited, 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, the financial statements of the governmental activities and each major fund of Voorheesville Public Library (the "Library") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated October 28, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

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**INDEPENDENT AUDITOR'S 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*  
(Continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library'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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.