

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

AND

BASIC FINANCIAL
STATEMENTS

For the Year Ended
December 31, 2012

**NEW HARTFORD PUBLIC LIBRARY
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Independent Auditor's Report

Board of Trustees
New Hartford Public Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, of the New Hartford Public Library, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the New Hartford Public 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 New Hartford Public Library, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

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, as listed in the table of contents, 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 April 5, 2013 on our consideration of the New Hartford Public 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 New Hartford Public Library's internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

April 5, 2013

Rome, New York

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

Board of Trustees
New Hartford Public Library

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements New Hartford Public Library, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise New Hartford Public Library's financial statements, and have issued our report thereon dated April 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Hartford Public 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Hartford Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of New Hartford Public 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. We did identify certain deficiencies in internal control, described in the accompanying *schedule of findings and recommendation* that we consider to be significant deficiencies. (2012-1 to 2012-4)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Hartford Public Library's financial statements are free from 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 results 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.

D'Arcangelo + Co., LLP

April 5, 2013

Rome, New York

**NEW HARTFORD PUBLIC LIBRARY
SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS
For The Year Ending December 31, 2012**

Significant Weaknesses

2012 - 1. Budget Monitoring

Condition: During our audit, we noted that the budget was not adjusted during 2012. Accordingly, this resulted in some budget line items being over expended.

Criteria: The Laws of the State of New York require that no expenditure be incurred without an available appropriated budget.

Effect: This situation increases the risk that expenditures will be made without an available budget appropriation.

Recommendation: While the Board does review budget to actual reports during the year, we recommend that the budget transfers or amendments be made prior to any expenditure being incurred. The accounting system should then reflect these adjustments for subsequent reporting.

2012 - 2. Investment Policy

Condition: The current investment policy does not contain the elements required by the General Municipal Law of New York State.

Criteria: Section 11 of the General Municipal Law (GML) contains statutory provisions on the authority to invest and types of permitted investments. GML Section 39 requires governing boards to adopt investment policies. At a minimum, an investment policy must address the following areas:

- Procedures for monitoring, controlling, depositing, and retaining investments and collateral
- Standards for security agreements and custodial agreements with banks or trust companies authorized to do business in the State of New York, pursuant to which obligations and collateral are held
- Permitted types of authorized investments
- Standards for diversification of investments, including diversification with respect to type of investments and firms with which to transact business
- Standards for qualification of firms with which the local government transacts business, such as criteria covering creditworthiness, experience, capitalization, size, and any other factors that make a firm capable and qualified to transact business with the local government
- Standards for written agreements pursuant to which investments are made
- Procedures and provisions to secure in a satisfactory manner the local government's financial interest in investments.

Effect: The lack of a full written policy exposes the Library to the risk of noncompliance and that the wishes of the Board will not be followed.

Recommendation: We recommend that a full investment policy be developed as stated above.

**NEW HARTFORD PUBLIC LIBRARY
SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS
For The Year Ending December 31, 2012**

2012 - 3. Investments with Third Party

Condition: The Library has contracted with an independent not-for-profit to invest the 2011 Lally Memorial Garden Fund. The investments are comingled with several other not-for-profits. The agreement does not specify what types of investments are permissible and allows the third party to control the funds. In addition, the agreement does not contain provisions defining management fees or termination

Criteria: Per the 1995 Opinions of the New York State Comptroller No. 95-30:

“Accordingly, based on the provisions of General Municipal Law, §11, as amended by chapter 708 of the Laws of 1992, it is our opinion that moneys held in the custody of the chief fiscal officer or other officer of a public library, whether obtained from public or private sources, may be invested only as prescribed in General Municipal Law, §11, except that investments of gifts, grants or bequests in the form of a true trust are subject to the "prudent investor" provisions of Estates, Powers and Trusts Law, §11-2.2 and 11-2.3.”

While the governing board has the authority to delegate investment responsibilities only to the chief fiscal officer or other officer(s) having custody of moneys, a local government is not precluded from contracting for the services of experts to assist in making investment decisions. Investment advisors may be retained as long as the appropriate designated local government officer or the governing board, as the case may be, retains ultimate control over investment decisions. Agreements with investment advisors may not provide for the delegation of any duties or responsibilities of public officials that involve the exercise of judgment or discretion to the advisor.

Effect: The current agreement results in investments that are not permitted by the Library’s policy or by General Municipal Law. Further, as stated above, the Library does not have full control of these invested assets.

Recommendation: We recommend that the Library reevaluate its arrangement for investments to ensure compliance with New York State General Municipal Law.

2012 - 4. Computer Disaster Recovery

Condition: The Library currently does not have a well-defined written disaster recovery plan. All personnel should be aware of their responsibilities in the event of an emergency situation. During our audit, we also noted that the back-up of the accounting systems computer files are not stored in an off-site location.

Criteria: Proper controls include the safeguarding of information from the risk of loss.

Effect: The present situation increases the risk of loss of financial information stored in the accounting system.

Recommendation: We suggest that the plan include, but not be limited to; a listing of all data files that would have to be restored, responsibilities of various personnel in an emergency, and priority of critical applications and reporting requirements during the emergency period. We also recommend that any back-up files be stored off-site.

**NEW HARTFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended December 31, 2012**

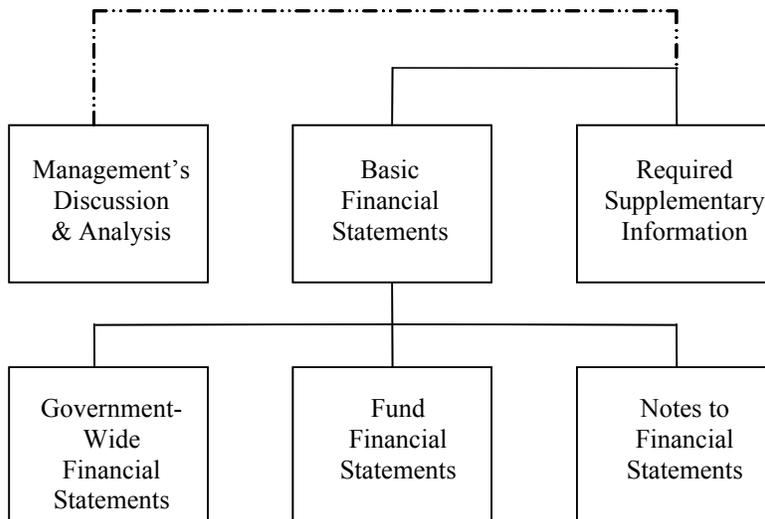
Our discussion and analysis of the New Hartford Public Library's (the Library) financial performance provides an overview of the Library's financial activities for the year ended December 31, 2012. This section is a summary of the Library's financial activities based on currently known facts, decisions, or conditions. It is also based on both government-wide and fund-based financial statements. This document should be read in conjunction with the Library's financial statements, which follow this narrative. This is the first financial statement for the Library. In subsequent years, comparative schedules for the government-wide section will be incorporated into the analysis.

1. FINANCIAL HIGHLIGHTS

- The Library's total net position, as reflected in the Government-wide financial statements, decreased by \$76,184.
- During the year, the Library had expenses of \$684,904, which was funded by government subsidies of \$469,980 and revenues including charges and fees, grants, donations, and other revenues for \$138,740.
- The Library's total General Fund revenue for 2012 was \$561,596. Approximately 83% of the general fund revenues are from subsidies from the Town of New Hartford and the County of Oneida.
- Revenue from Oneida County continued to decline and for calendar year 2012 was halved. Although expected to be eliminated in 2013, the halved amount of \$19,980 will be maintained for another year.
- Costs for the New York State Retirement System continue to escalate due to investment volatility. According to the NYSERS website, enhancements to benefits have helped fuel the dramatic surge in public pension costs over the last decade. This system is a defined plan which guarantees certain pension benefits to employees who are enrolled. Tier 6 which became operative on April 1, 2012 lowered these costs for newly hired employees.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the financial statements, and required supplementary information. The basic financial statements consist of Government-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements is as follows:



**NEW HARTFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended December 31, 2012**

(Continued)

- The first two statements are Government-wide financial statements and the fund financial statements. The Government-wide financial statements provide both short-term and long-term information about the Library's overall financial status. The fund financial statements focus on individual parts of the Library, reporting the Library's operations in more detail than the Government-wide statements. The fund financial statements concentrate on the Library's most significant funds.
- The governmental funds statements disclose how basic services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Library's budget for the year.

Government-Wide Statements

The Government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Library's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the Library's net position and how they have changed. Net position – the difference between the Library's assets and liabilities – is one way to measure the Library's financial health or position.

- Over time, increases or decreases in the Library's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Library's overall health, consider additional nonfinancial factors such as the condition of Library's buildings and other facilities.

In the Government-wide financial statements, the Library's activities are shown as Governmental activities. General Revenues finance most of these activities.

Fund Financial Statements

The Library has changed its presentation of the current year financial statements to more accurately reflect individual fund activity and fund balance.

The fund financial statements provide more detailed information about the Library's funds, focusing on its most significant or "major" fund – not the Library as a whole. Funds are accounting devices the Library uses to keep track of specific sources of funding and spending on particular programs:

- Certain funds are required by State law.
- The Library establishes other funds to control and to manage money for particular purposes or to show that it is properly using certain revenues (such as Federal and State grants).

The Library has three types of funds:

- ***General Fund:*** This is the Library's primary operating fund. It accounts for all budgeting operating activity not required to be allowed for in another fund.
- ***Building Fund*** – This fund accounts for and reports the proceeds of specific revenue sources that are restricted to expenditures for building improvements. These restrictions may be imposed either by governments that provide the funds, or by outside parties.
- ***Lally Memorial Garden Fund*** – This fund accounts for and reports the proceeds of specific revenue sources that are restricted to expenditures for the maintenance of the Library's Garden. This restriction is imposed by an individual donor.

**NEW HARTFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended December 31, 2012**

(Continued)

3. FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

The analysis below focuses on the net position (Table A-1) and changes in net position (Table A-2) of the Library's governmental activities.

Table A-1 – Condensed Statement of Net Position

	2012
Current and Other Assets	\$ 458,373
Capital Assets, Net of Accumulated Depreciation	<u>2,526,786</u>
Total Assets	<u>\$ 2,985,159</u>
Long-Term Liabilities	\$ 9,895
Other Liabilities	<u>47,524</u>
Total Liabilities	<u>\$ 57,419</u>
Net Position	
Net Investment in Capital Assets	\$ 2,526,786
Restricted	358,036
Unrestricted	<u>42,918</u>
Total Net Position	<u>\$ 2,927,740</u>

Current and Other Assets consists of mainly cash and investments. The total assets decreased by \$84,784, which was mainly due to the 2012 depreciation expense of \$107,629.

Capital Assets on December 31, 2012, totaled \$2,526,786, respectively (see Table A-4).

Net Capital Assets represent the Library's investment in capital assets (buildings and improvements, and equipment), less any related debt (obligations under bonds payable and capital leases less unspent bond proceeds) used to acquire those assets that is still outstanding. At December 31, 2012, the Library did not have any outstanding debt. These assets are not available for future spending.

**NEW HARTFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended December 31, 2012**

(Continued)

Table A-2 – Changes in Net Position from Operating Results	
Revenues	
Town of New Hartford - Subsidy	\$ 450,000
Oneida County - Subsidy	19,980
New York State Grant	29,976
Library Charges and Fees	34,225
Use of Money and Property	29,127
Donations	14,544
Donation - Friends of Library	20,000
Special Event	3,084
Miscellaneous	5,518
Sale of Property and Comp for Loss	<u>2,266</u>
Total Revenues	<u>608,720</u>
Expenditures	
Salaries	323,695
Employee Benefits	81,712
Books	41,911
Periodicals and Serials	9,741
Recordings	8,747
Contractual	37,874
Program Expenses-Adult/Children	4,371
Utilities	18,989
Telephone	1,850
Building Expense	21,209
Computer Software and Equipment	4,151
Supplies	12,737
Printing and Postage	2,470
Professional Fees	7,593
Travel and Dues	225
Depreciation	<u>107,629</u>
Total Expenditures	<u>684,904</u>
 Decrease in Net Position	 <u><u>\$ (76,184)</u></u>

The Library received a grant for \$19,957 from NYS for a lighting fixture project of which \$17,957 was expended in 2012.

**NEW HARTFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended December 31, 2012**

(Continued)

4. FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

General Fund Budgetary Highlights

- The budgetary comparison information can be found on Page 22 which presents both original and amended budget totals compared with actual results for the General Fund for the year ended December 31, 2012.

General Fund

- The General Fund is the chief operating fund of the Library. The Library has changed the presentation of the current year financial statements to more accurately reflect operating fund activity and fund balance.
- The General Fund's Fund Balance remained stable with a slight decrease of \$9.

An overview of the General Fund results for 2012 are as follows:

Table A-3 - General Fund		
	Amount	Percentage of Total
Revenues		
Town of New Hartford - Subsidy	\$ 450,000	80.1%
Oneida County - Subsidy	19,980	3.6%
New York State Grant	12,019	2.1%
Library Charges and Fees	34,225	6.1%
Use of Money and Property	210	0.0%
Donations	14,294	2.5%
Donation - Friends of Library	20,000	3.6%
Special Event	3,084	0.5%
Miscellaneous	5,518	1.0%
Sale of Property and Comp for Loss	2,266	0.4%
Total Revenues	561,596	100.0%
Expenditures		
Salaries	323,353	57.6%
Employee Benefits	81,712	14.5%
Books	41,911	7.5%
Periodicals and Serials	9,741	1.7%
Recordings	8,747	1.6%
Contractual	24,359	4.3%
Program Expenses-Adult/Children	4,371	0.8%
Utilities	18,989	3.4%
Telephone	1,850	0.3%
Building Expense	22,689	4.0%
Computer Software and Equipment	4,151	0.7%
Supplies	12,737	2.3%
Printing and Postage	2,470	0.4%
Professional Fees	4,300	0.8%
Travel and Dues	225	0.0%
Total Expenditures	561,605	100.0%
Excess Expenditures Over Revenues	\$ (9)	

**NEW HARTFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended December 31, 2012**

(Continued)

5. CAPITAL ASSETS

Capital Assets

At December 31, 2012, the Library had \$2,526,786 invested in capital assets including buildings and furniture and fixtures. Table A-3 categorically illustrates the Library's capital assets net of related accumulated depreciation.

Table A-4 – Capital Assets, Net of Accumulated Depreciation

	<u>2012</u>
Land	\$ 96,460
Buildings	2,298,463
Land Improvements	79,632
Furniture Fixtures, and Equipment	<u>52,231</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,526,786</u>

Depreciation expense for the Library totaled \$107,629 for the year ended December 31, 2012.

6. FACTORS BEARING ON THE LIBRARY'S FUTURE

- The current long tenured Library Director is scheduled for retirement in mid-2013. Search committee activity has commenced for appointment of a new Library Director.
- Internal financial controls are maintained.
 - Bank statements are received at the library and reconciled monthly. Copies are provided to the Board Treasurer for review.
 - Disbursements are reviewed and approved by the assistant librarian and Library Director followed by check preparation by the library bookkeeper. Original bills and checks are provided to the Board Treasurer for signature and are available to the entire Board for review.
- Although Library facilities are relatively new construction, capital projects are considered annually including roof repairs in 2012/2013 funded under a NYS Library Construction Grant with a 50% share rate.
- Maintenance of stable revenue sources and diminished funding from Town and County remains as a challenge for a successful Library operation. Board emphasis will be directed towards identification of supplemental funding sources.
- Significant children and young adult activity is maintained at the Library. Increased activity is anticipated to be supported by grants. One grant received to date for 2013 from Berkshire Bank. Additional grant is pending from Family Dollar Stores.

**NEW HARTFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended December 31, 2012**

(Continued)

SIGNIFICANT LIBRARY STATISTICS FOR THE 2012 YEAR INCLUDE:

Population chartered to serve	22,166
Total collection holdings	82,107
Holdings per capita	3.70
Total serial subscriptions	179
Total number of programs offered	266
Total Program attendance	4,210
Number of visits to the library website	45,548
Hours of operation	49 (winter), 45 (summer)
Circulation	181,624
Circulation per capita	8.19
Number of users of library computers	15,934

7. CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Library's citizens, customers, investors, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Library Director at 2 Library Lane, New Hartford, New York 13413.

NEW HARTFORD PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS/STATEMENT OF NET POSITION
December 31, 2012

	Governmental			Total Governmental Funds	Capital Assets	Compensated Absences	Eliminations	Statement of Net Position
	General	Building	Lally Memorial Garden					
Assets								
Current Assets								
Unrestricted Cash	\$ 90,411		\$	\$ 90,411				\$ 90,411
Restricted Cash	9,926	90,711	34,780	135,417				135,417
Investments			<u>232,545</u>	<u>232,545</u>				<u>232,545</u>
Total Current Assets	<u>100,337</u>	<u>90,711</u>	<u>267,325</u>	<u>458,373</u>				<u>458,373</u>
Capital Assets (Net of Accumulated Depreciation)					<u>2,526,786</u>			<u>2,526,786</u>
Total Assets	<u>\$ 100,337</u>	<u>\$ 90,711</u>	<u>\$ 267,325</u>	<u>\$ 458,373</u>	<u>\$ 2,526,786</u>			<u>\$ 2,985,159</u>
Liabilities and Fund Equity/Net Position								
Current Liabilities								
Accounts Payable	\$ 9,727		\$	\$ 9,727				\$ 9,727
Accrued Liabilities	12,868			12,868				12,868
Due to Other Governments	<u>24,929</u>			<u>24,929</u>				<u>24,929</u>
Total Current Liabilities	<u>47,524</u>			<u>47,524</u>				<u>47,524</u>
Long-Term Liabilities								
Compensated Absences						9,895		9,895
Total Liabilities	<u>47,524</u>			<u>47,524</u>		<u>9,895</u>		<u>57,419</u>
Fund Equity/ Net Position								
Net Investment in Capital Assets					2,526,786			2,526,786
Restricted								
Building		90,711		90,711				90,711
Garden			<u>267,325</u>	<u>267,325</u>				<u>267,325</u>
Total Restricted		<u>90,711</u>	<u>267,325</u>	<u>358,036</u>				<u>358,036</u>
Assigned	9,926			9,926			(9,926)	
Unassigned	<u>42,887</u>			<u>42,887</u>		<u>(9,895)</u>	<u>9,926</u>	<u>42,918</u>
Total Fund Equity/Net Position	<u>52,813</u>	<u>90,711</u>	<u>267,325</u>	<u>410,849</u>	<u>2,526,786</u>	<u>(9,895)</u>		<u>2,927,740</u>
Total Liabilities and Fund Equity/Net Position	<u>\$ 100,337</u>	<u>\$ 90,711</u>	<u>\$ 267,325</u>	<u>\$ 458,373</u>	<u>\$ 2,526,786</u>			<u>\$ 2,985,159</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

NEW HARTFORD PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY -
GOVERNMENTAL FUNDS/STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	Governmental			Total Governmental Funds	Capital Assets	Compensated Absences	Statement of Activities
	General	Building	Lally Memorial Garden				
Revenues							
Town of New Hartford - Subsidy	\$ 450,000			\$ 450,000			\$ 450,000
Oneida County - Subsidy	19,980			19,980			19,980
New York State Grant	12,019	17,957		29,976			29,976
Library Charges and Fees	34,225			34,225			34,225
Use of Money and Property	210	163	28,754	29,127			29,127
Donations	14,294	250		14,544			14,544
Donation - Friends of Library	20,000			20,000			20,000
Special Event	3,084			3,084			3,084
Miscellaneous	5,518			5,518			5,518
Sale of Property and Comp for Loss	2,266			2,266			2,266
Total Revenues	<u>561,596</u>	<u>18,370</u>	<u>28,754</u>	<u>608,720</u>			<u>608,720</u>
Expenditures							
Salaries	323,353			323,353		342	323,695
Employee Benefits	81,712			81,712			81,712
Books	41,911			41,911			41,911
Periodicals and Serials	9,741			9,741			9,741
Recordings	8,747			8,747			8,747
Contractual	24,359	4,765	8,750	37,874			37,874
Program Expenses-Adult/Children	4,371			4,371			4,371
Utilities	18,989			18,989			18,989
Telephone	1,850			1,850			1,850
Building Expense	22,689	30,961		53,650	(32,441)		21,209
Computer Software and Equipment	4,151			4,151			4,151
Supplies	12,737			12,737			12,737
Printing and Postage	2,470			2,470			2,470
Professional Fees	4,300		3,293	7,593			7,593
Travel and Dues	225			225			225
Depreciation					107,629		107,629
Total Expenditures	<u>561,605</u>	<u>35,726</u>	<u>12,043</u>	<u>609,374</u>	<u>75,188</u>	<u>342</u>	<u>684,904</u>
Excess Expenditures Over Revenues	<u>(9)</u>	<u>(17,356)</u>	<u>16,711</u>	<u>(654)</u>	<u>(75,188)</u>	<u>(342)</u>	<u>(76,184)</u>
Fund Equity, Beginning of Year	59,102	108,067	250,614	417,783	2,601,974		3,019,757
Prior Period Adjustment	(6,280)			(6,280)		(9,553)	(15,833)
Fund Equity, Beginning of Year (Restated)	<u>52,822</u>	<u>108,067</u>	<u>250,614</u>	<u>411,503</u>	<u>2,601,974</u>	<u>(9,553)</u>	<u>3,003,924</u>
Fund Equity, End of Year	<u>\$ 52,813</u>	<u>\$ 90,711</u>	<u>\$ 267,325</u>	<u>\$ 410,849</u>	<u>\$ 2,526,786</u>	<u>\$ (9,895)</u>	<u>\$ 2,927,740</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

NEW HARTFORD PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the New Hartford Public Library (the “Library”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the Library are discussed below.

Reporting Entity

The reporting entity of the Library is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The Library has chosen to reclassify the prior year financial statement in order to present separate fund activity in the current year.

The accompanying financial statements present the activities of the Library. The Library is a component unit of the Town of New Hartford. The Library is financially accountable to the Town because it appoints all of the Library’s Board Members, provides 80% of the funding for operations, and as needed, is responsible for approving and issuance and the payment of debt. The Library does have ownership of the real property.

The decision to include a potential component unit in the Library’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no component units included in the Library’s financial statements.

Basis of Presentation

(a) 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. As needed, eliminations are made to minimize the double counting of internal transactions. Governmental activities generally are financed through Town/County subsidies, State aid, fees, donations, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

(b) Fund Statements

The fund statements provide information about the Library’s funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Library reports the following governmental funds:

General Fund – This is the Library’s primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Building Fund – This fund accounts for and reports the proceeds of specific revenue sources that are restricted to expenditures for building improvements. These restrictions may be imposed either by governments that provide the funds, or by outside parties.

Lally Memorial Garden Fund – This fund accounts for and reports the proceeds of specific revenue sources that are restricted to expenditures for the maintenance of the Library’s Garden. This restriction is imposed by an individual donor.

NEW HARTFORD PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Measurement Focus and Basis of Accounting

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 at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange 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 fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Library considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time (60 days) after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principle 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.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reported period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

Cash and Cash Equivalents

The Library's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. 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. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and libraries.

Investments

The Library has placed its Lally Memorial Garden Fund investments in a pooled investment account with The Community Foundation of Herkimer and Oneida Counties, Inc. The Foundation maintains master investment accounts. Realized and unrealized gains and losses from securities in the master investment accounts are allocated to the individual accounts based on the relationship of the market value of each account to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Inventories

Purchases of inventoriable items are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

NEW HARTFORD PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Capital Assets

Capital assets are reported at actual cost. The Library does not capitalize Library books and materials. Donated assets are reported at estimated fair market value at the time received. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Building and Land Improvements	\$ 1,000	10-40 Years
Furniture and Equipment	\$ 1,000	3-10 Years

Vested Employee Benefits – Compensated Absences

Compensated absences consist of only unpaid accumulated vacation for full-time Library employees. Upon retirement, resignation or death, employees may contractually receive a payment based on unused vacation. Any unused sick leave is not paid upon separation.

Consistent with GASB, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the financial statements. The compensated absences liability for full-time employees is calculated based on the pay rates in effect at year-end.

Other Benefits

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

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Equity Classifications

(a) Government-Wide Statements

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

Net Investment in Capital Assets – consists of net capital position (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted Net Position – reports net position when constraints placed on the assets are either externally imposed by grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

NEW HARTFORD PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

(b) Fund Statements

In the fund basis statements there are four classifications of fund balance:

Nonspendable 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.

Restricted – includes amounts with constraints placed in 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.

Assigned – Includes amounts that are constrained by the Library’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Includes all other General Fund net position that do not meet the definition of the above classifications and are deemed to be available for general use by the Library.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the funds statements and the entity-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 resource management focus of the governmental funds.

Total Fund Balances of Governmental Funds Compared To Net Assets of Governmental Activities

Total fund balances of the Library’s governmental funds differs 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 Sheet.

Statement of Revenues, Expenditures, and Changes In Fund Balance Compared To Statement of Position

Differences between the three funds Statement of Revenues, Expenditures, and Changes in Fund Equity and the Statement of Activities fall into one of three broad categories as follows:

(a) Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available,” whereas the Statement of Activities reports revenues 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.

(b) 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.

(c) Reclassification and Eliminations

Reclassifications and eliminations arise because the Statement of Activities report program revenues (either charges for services or operating grants) net of their direct expenses. All other revenues are categorized as general revenues. Certain expenses have been reclassified so that all identifiable program expenses are accounted for within their proper program. Governmental funds account for all revenues and expenses based on their function.

**NEW HARTFORD PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012**

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Library administration prepares a proposed budget for approval by the Board of Trustees for the governmental funds for which legal (appropriated) budgets are adopted.

Appropriations established by the adoption of the budget constitute a limitation on expenditures that may be incurred. Appropriations lapse at the end of the fiscal year unless expended. Appropriations authorized for the current year are increased by budget amendments approved by the Board as a result of unanticipated revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

4. CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. While the Library does not have a specific policy for custodial credit risk, New York State statutes govern the Library's investment policies, as discussed previously in these Notes. The Library's aggregate bank balances were fully collateralized by depository insurance.

5. POOLED INVESTMENT

Investment balances and activity for the year ended December 31, 2012, were as follows:

Beginning Balance	\$207,124
Investment Income Net of Fees	28,714
Foundation Administrative Fee	<u>(3,293)</u>
Ending Balance	<u>\$232,545</u>

6. CAPITAL ASSETS

Capital assets balances and activity for the year ended December 31, 2012, were as follows:

	Beginning Balance	Additions	Ending Balance
Capital Assets Not Being Depreciated			
Land	\$ 96,460	\$	\$ 96,460
Capital Assets Being Depreciated			
Buildings	2,911,945	30,961	2,942,906
Land Improvements	135,422		135,422
Furniture, Fixtures, and Equipment	<u>307,116</u>	<u>1,480</u>	<u>308,596</u>
Total	<u>3,354,483</u>	<u>32,441</u>	<u>3,386,924</u>
Accumulated Depreciation			
Buildings	569,985	74,458	644,443
Land Improvements	46,762	9,028	55,790
Furniture, Fixtures, and Equipment	<u>232,222</u>	<u>24,143</u>	<u>256,365</u>
Total	<u>848,969</u>	<u>107,629</u>	<u>956,598</u>
Net Capital Assets Being Depreciated	<u>2,505,514</u>	<u>(75,188)</u>	<u>2,430,326</u>
Net Capital Assets	<u>\$ 2,601,974</u>	<u>\$ (75,188)</u>	<u>\$ 2,526,786</u>

**NEW HARTFORD PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012**

7. PENSION PLANS

The New Hartford Public Library participates, through the Town of New Hartford, in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan, collectively known as NYSLRS. This is a cost-sharing multiple-employer retirement system. The NYSLRS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the NYSLRS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSLRS and for the custody and control of its funds. The NYSLRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

FUNDING POLICY - The NYSLRS are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSLRS' fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	For the Years Ended December 31,		
	2012	2011	2010
<u>ERS</u>			
Average Contribution Rate	17.6%	15.3%	11.0%
District Contributions	\$ 33,001	\$ 22,884	\$ 16,452

8. RISK MANAGEMENT

Potential Grantor Liability

The Library is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by commercial insurance purchased from independent third parties.

9. CONTINGENCIES AND COMMITMENTS

The Library has received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds.

10. PRIOR PERIOD ADJUSTMENT

Governmental Funds

A prior period adjustment was recorded in the amount of \$6,280 in order to record items that should have been recorded as payable in the 2011.

Governmental - Wide

A prior period adjustment was recorded in the amount of \$9,533 in order to record compensated absences that should have been recorded as payable in the 2011.

NEW HARTFORD PUBLIC LIBRARY
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Actual</u>	<u>Variance with Amended Budget</u>
Revenues				
Town of New Hartford - Subsidy	\$ 450,000	\$ 450,000	\$ 450,000	\$
Oneida County - Subsidy	65,000	65,000	19,980	(45,020)
New York State Grant	6,700	6,700	12,019	5,319
Library Charges and Fees	37,000	37,000	34,225	(2,775)
Use of Money and Property	500	500	210	(290)
Donations	12,000	12,000	14,294	2,294
Donation - Friends of Library	10,000	10,000	20,000	10,000
Special Event			3,084	3,084
Miscellaneous			5,518	5,518
Sale of Property and Comp for Loss	<u>15,000</u>	<u>15,000</u>	<u>2,266</u>	<u>(12,734)</u>
Total Revenues	<u>596,200</u>	<u>596,200</u>	<u>561,596</u>	<u>(34,604)</u>
Expenditures				
Salaries	334,000	334,000	323,353	10,647
Employee Benefits	72,500	72,500	81,712	(9,212)
Books	40,000	40,000	41,911	(1,911)
Periodicals and Serials	8,000	8,000	9,741	(1,741)
Recordings	9,000	9,000	8,747	253
Contractual	30,000	30,000	24,359	5,641
Program Expenses-Adult/Child	4,000	4,000	4,371	(371)
Utilities	30,000	30,000	18,989	11,011
Telephone	2,000	2,000	1,850	150
Building Expense	28,750	28,750	22,689	6,061
Computer Software and Equipment	5,000	5,000	4,151	849
Supplies	15,000	15,000	12,737	2,263
Printing and Postage	5,500	5,500	2,470	3,030
Professional Fees	12,000	12,000	4,300	7,700
Travel and Dues	<u>450</u>	<u>450</u>	<u>225</u>	<u>225</u>
Total Expenditures	<u>596,200</u>	<u>596,200</u>	<u>561,605</u>	<u>34,595</u>
Excess Expenditures Over Revenues	<u>\$</u>	<u>\$</u>	<u>\$ (9)</u>	<u>\$ (9)</u>