

**SEAFORD PUBLIC LIBRARY**  
**TOWN OF HEMPSTEAD, NEW YORK**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**SEAFORD PUBLIC LIBRARY**  
**TABLE OF CONTENTS**

	<u>PAGE</u>
Independent Auditor's Report On Financial Statements And Supplemental Information	1
Management's Discussion And Analysis	3
Basic Financial Statements:	
Statement Of Net Position	9
Statement Of Activities And Change In Net Position	10
Balance Sheet - Governmental Funds	11
Reconciliation Of Governmental Funds Balance Sheet To The Statement Of Net Position	12
Statement Of Revenues, Expenditures And Change In Fund Balance - Governmental Funds	13
Reconciliation Of Governmental Funds Statement Of Revenues, Expenditures And Change In Fund Balance To The Statement Of Activities	14
Notes To Financial Statements	15
	<b><u>SUPPLEMENTAL</u></b>
	<b><u>SCHEDULE</u></b>
Supplemental Information:	
Schedule Of Revenues, Expenditures And Change In Fund Balance - Budget And Actual - General Fund	1 27
Schedule Of Funding Progress For The Retiree Health Plan	2 28
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	29



Nawrocki Smith LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

To the Board of Trustees of the  
Seaford Public Library  
Town of Hempstead, New York:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Seaford Public Library (the "Library") as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Library's administration. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Seaford Public Library as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of the administration about the methods of preparing the information and comparing the information for consistency with the administration'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.

## Nawrocki Smith LLP

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Seaford Public Library financial statements as a whole. The accompanying supplemental information, as listed in the table of contents, is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Melville, New York  
October 9, 2012

*Nawrocki Smith LLP*

**SEAFORD PUBLIC LIBRARY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The following is a discussion and analysis of the Library's financial performance for the fiscal year ended June 30, 2012. The section is a summary of the Library's financial activities based on currently known facts, decisions or conditions. It is also based on both the entity-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Library's financial statements, which immediately follow this section.

**PROGRAM AND FINANCIAL HIGHLIGHTS**

- As of June 30, 2012, the Library had total assets of \$2,213,833, total liabilities of \$783,615 and net position of \$1,430,218.
- Total revenues for the year ended June 30, 2012 were \$2,028,268 and total expenses were \$2,104,926 resulting in an deficit of revenues under expenditures of \$76,658.
- As of June 30, 2012, the Library's General Fund had fund balance totaling \$1,092,592, which was an increase of \$158,049 (after restatement, see page 26).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis ("MD&A"; this section), the basic financial statements, and required supplemental information. The basic financial statements include two kinds of statements that present different views of the Library:

- The first two statements are *entity-wide* financial statements that provide both *short-term* and *long-term* information about the Library's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Library, reporting the Library's operations in *more detail* than the entity-wide financial statements.
- The *fund financial statements* tell how the Library's program services and support functions 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 financial statements and provide more detailed data. The financial statements are followed by a section of supplemental information that further explains and supports the financial statements with a comparison of the Library's budget for the year.

Figure A-1 summarizes the major features of the Library’s financial statements, including the portion of the Library’s activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the financial statements.

<b>Figure A-1 Major Features of the Entity-Wide and Fund Financial Statements</b>		
	<b>Entity-Wide</b>	<b>Fund</b>
Scope	Entire Library	The current activities of the Library
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and change in fund balance</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

**Entity-Wide Financial Statements**

The entity-wide financial 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 entity-wide financial statements report the Library’s net position and how it has changed. Net position, the difference between the Library’s assets and liabilities, is one way to measure the Library’s financial health.

- Over time, increases or decreases in the Library’s net position are an indicator of whether its financial status is improving or deteriorating, respectively.
- To assess the Library’s overall health, you need to consider additional nonfinancial factors such as changes in the Library’s property tax base, changes in population and the condition of facilities.

In the entity-wide financial statements, the Library's activities are shown as *governmental activities*. Most of the Library's basic services are included here, such as regular and special programs for the community, and administration. Property taxes finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Library's funds, focusing on its most significant or "major" funds - 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. Most of the Library's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the entity-wide financial statements, reconciliations of the entity-wide and fund financial statements are provided which explain the relationship (or differences) between them.

**FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE**

The Library's net position decreased by 5.1%, after restatement, from the year before to \$1,430,218 as detailed in Tables A-2 and A-3.

**Figure A-2: Condensed Statements of Net Position**

	2011 <u>As Restated</u>	<u>2012</u>	<u>% Change</u>
Current assets	\$ 1,033,740	\$ 1,184,809	14.6
Capital assets, net	<u>1,089,586</u>	<u>1,029,024</u>	(5.6)
Total assets	<u>\$ 2,123,326</u>	<u>\$ 2,213,833</u>	4.3
Current liabilities	\$ 99,197	\$ 92,217	(7.0)
Noncurrent liabilities	<u>517,253</u>	<u>691,398</u>	33.7
Total liabilities	<u>\$ 616,450</u>	<u>\$ 783,615</u>	27.1
Net position:			
Net investment in capital assets	\$ 1,089,586	\$ 1,029,024	(5.6)
Restricted	627,059	616,127	(1.7)
Unrestricted	<u>(209,769)</u>	<u>(214,933)</u>	(2.5)
Total net position	<u>\$ 1,506,876</u>	<u>\$ 1,430,218</u>	(5.1)

## Changes in Net Position

The Library's fiscal year 2012 revenues totaled \$2,028,268, which is 5.9% greater than fiscal year 2011 (see Table A-3). Property taxes account for 92% of total revenues (see Table A-4). The remainder came from building rent and State aid.

The Library's fiscal year 2012 expenses totaled \$2,104,926, which is 1.2% less than fiscal year 2011 (see Table A-3).

**Figure A-3: Changes in Net Position from Operating Results**

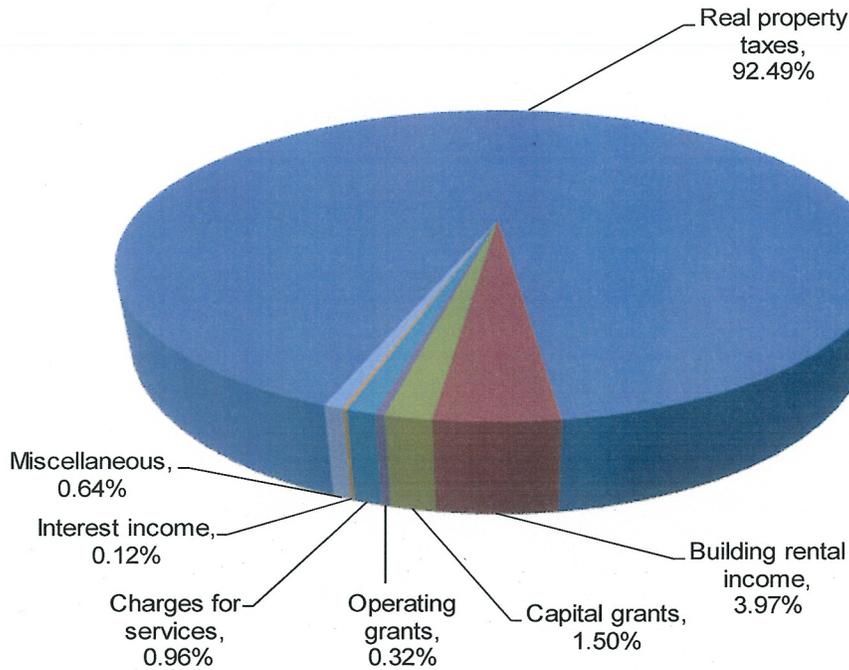
	2011 <u>As Restated</u>	<u>2012</u>	<u>% Change</u>
<b>Revenues:</b>			
Real property taxes	\$ 1,807,763	\$ 1,875,852	3.8
Building rental income	68,318	80,617	18.0
Charges for services	18,210	19,441	6.8
Operating grants	5,020	6,449	28.5
Capital grants	-	30,477	100.0
Interest income	1,651	2,502	51.5
Miscellaneous	<u>14,595</u>	<u>12,930</u>	(11.4)
<b>Total revenues</b>	<u>1,915,557</u>	<u>2,028,268</u>	5.9
<b>Expenses:</b>			
Public library services	<u>2,130,007</u>	<u>2,104,926</u>	(1.2)
<b>Total expenses</b>	<u>2,130,007</u>	<u>2,104,926</u>	(1.2)
<b>Decrease in net position</b>	<u>\$ (214,450)</u>	<u>\$ (76,658)</u>	64.3

Revenues from the Library's governmental activities totaled \$2,028,268 while total expenses were \$2,104,926 which resulted in a decrease in net position from governmental activities of \$76,658 for the 2012 fiscal year.

The Library's financial condition can be credited to:

- Continued leadership of the Library's Board of Trustees and administration;
- Approval of the Library's proposed annual budget; and
- Community support of the services provided by the Library.

**Figure A-4: Sources of Revenues for Fiscal Year 2012**



**General Fund Budgetary Highlights**

The Library's General Fund budget for the 2011-12 fiscal year was authorized by the voters in the amount of \$1,988,081.

The Library's actual revenues were more than actual expenses for the fiscal year in the amount of \$158,049.

- Actual revenues were \$40,187 more than budgetary projections.
- Actual expenditures were \$117,862 less than budget.

A schedule showing the budget amounts compared to the Library's actual financial activity for the General Fund is provided in this report as required supplemental information (page 27).

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of fiscal 2012, the Library had invested \$1,029,024, net of depreciation, in a broad range of capital assets including building improvements, books and other holdings as well as equipment and technology.

**Figure A-5:** Capital Assets (net of depreciation)

	<u>2011</u>	<u>2012</u>	<u>% Change</u>
Land	\$ 27,000	\$ 27,000	-
Machinery and equipment	45,394	25,954	(42.8)
Building and permanent fixtures	510,188	500,948	(1.8)
Books and audio visual holdings	<u>507,005</u>	<u>475,122</u>	(6.3)
	<u>\$ 1,089,587</u>	<u>\$ 1,029,024</u>	(5.6)

### FACTORS BEARING ON THE LIBRARY'S FUTURE

- The General Fund taxable budget for the 2012-2103 fiscal year in the amount of \$1,908,750 was approved by voters. This is an increase of \$32,898 of 1.8% above the previous year's budget.
- The recently enacted 2% property tax cap will impact library funding and operations.

### CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Library's citizens, taxpayers, 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:

Seaford Public Library  
Frank McKenna  
Library Director  
2234 Jackson Avenue  
Seaford, New York 11783  
(516) 221-1334

**SEAFORD PUBLIC LIBRARY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2012**

**ASSETS**

Current assets:		
Cash:		
Unrestricted	\$	542,361
Restricted		624,498
Accounts receivable		<u>17,950</u>
Total current assets		1,184,809
 Noncurrent assets:		
Capital assets, net of accumulated depreciation of \$2,942,165		<u>1,029,024</u>
Total assets	\$	<u><u>2,213,833</u></u>

**LIABILITIES**

Current liabilities:		
Payables:		
Accounts payable	\$	24,929
Accrued liabilities		<u>67,288</u>
Total current liabilities		<u>92,217</u>
 Noncurrent liabilities:		
Long-term liabilities, due after one year:		
Compensated absences		158,138
Other post-employment benefits		<u>533,260</u>
Total noncurrent liabilities		<u>691,398</u>
Total liabilities		<u><u>783,615</u></u>

**NET POSITION**

Net investment in capital assets		1,029,024
Restricted		616,127
Unrestricted		<u>(214,933)</u>
Total net position		<u>1,430,218</u>
Total liabilities and net position	\$	<u><u>2,213,833</u></u>

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

**SEAFORD PUBLIC LIBRARY**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Expenses	Charges For Services	Program Revenues	Operating Grants	Capital Grants	Net (Expense) Revenue and Change in Net Position
Functions and programs:						
Public library services	\$ 2,104,926	\$ 19,441	\$ 6,449		\$ 30,477	\$ (2,048,559)
General revenues:						
Real property taxes						1,875,852
Building rental income						80,617
Interest income						2,502
Miscellaneous						12,930
Total general revenues						1,971,901
Change in net position						(76,658)
Total net position, beginning of year, as restated, see Note 11						1,506,876
Total net position, end of year						\$ 1,430,218

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

**SEAFORD PUBLIC LIBRARY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	<b>General</b>
<b>ASSETS</b>	
Cash:	
Unrestricted	\$ 542,361
Restricted	624,498
Accounts receivable	17,950
Total assets	\$ 1,184,809
<b>LIABILITIES</b>	
Payables:	
Accounts payable	\$ 24,929
Accrued liabilities	67,288
Total liabilities	92,217
<b>FUND BALANCE</b>	
Restricted	616,127
Assigned	31,569
Unassigned	444,896
Total fund balance	1,092,592
Total liabilities and fund balance	\$ 1,184,809

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

**SEAFORD PUBLIC LIBRARY**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2012**

Total Fund Balance - Governmental Funds	\$	1,092,592
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Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets:		
Non-depreciable	\$ 27,000	
Depreciable	3,944,189	
Accumulated depreciation	<u>(2,942,165)</u>	1,029,024

Long-term liabilities applicable to the Library's governmental activities are not due and payable in the current period and accordingly are not reported in the governmental fund financial statements. However, these liabilities are included in the Statement of Net Position:

Compensated absences	(158,138)	
Other post-employment benefits	<u>(533,260)</u>	<u>(691,398)</u>

Net Position - Governmental Activities	\$	<u><u>1,430,218</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**SEAFORD PUBLIC LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>General</b>
<b>REVENUES</b>	
Real property taxes	\$ 1,875,852
Building rental income	80,617
State aid	36,926
Charges for services	19,441
Interest income	2,502
Miscellaneous	12,930
Total revenues	2,028,268
<b>EXPENDITURES</b>	
Salaries	985,305
Employee benefits	402,315
Materials	168,445
Operations - general	88,583
Operations - building	131,773
Administration	62,862
Capital outlays	30,936
Total expenditures	1,870,219
Excess of revenues over expenditures	158,049
Fund balance, beginning of year, as restated (see Note 11)	934,543
Fund balance, end of year	\$ 1,092,592

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

**SEAFORD PUBLIC LIBRARY**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balance - governmental funds	\$	158,049
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation expense exceeds capital outlay in the current period is:

Capital outlay	\$ 197,379		
Depreciation expense	<u>(257,942)</u>		(60,563)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences	(2,320)		
Other post-employment benefits	<u>(171,824)</u>		<u>(174,144)</u>

Net change in net position - governmental activities	\$	<u><u>(76,658)</u></u>
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The accompanying notes to financial statements are an  
integral part of this statement.

**SEAFORD PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Seaford 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 described below:

A. Reporting entity

The reporting entity of the Library is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units. 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 accompanying financial statements present the activities of the Library. The Library is not a component unit of another reporting entity. 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.

B. Basis of presentation

Entity-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the Library's governmental activities. These financial 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, State and federal aid, operating grants, capital grants and other exchange and nonexchange transactions.

The Statement of Activities presents a comparison between program expenses and revenues for the Library's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to functional areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, operating and capital grants. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements

The fund financial statements provide information about the Library's funds. The emphasis of fund financial statements is on major governmental funds. The Library reports the following governmental fund:

General Fund: This is the Library's primary operating fund. It accounts for all financial transactions.

C. Measurement focus and basis of accounting

The entity-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 financial 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 after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

D. Property taxes

Real property taxes are levied annually by the Seaford Union Free School District no later than September 1, and become a lien on July 1. Taxes are collected by the Town of Hempstead during the period 2011-2012 and remitted to the School District, who in turn remits receipts collected for the Library on a monthly basis.

Uncollected real property taxes are subsequently enforced by the County in which the Library is located. The County pays an amount representing uncollected real property taxes and transmitted to the County for enforcement to the Library no later than following July 1.

E. Restricted resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is 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 these Notes.

F. 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 revenues and expenses during the reporting 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.

G. Cash and investments

The Library's cash and cash equivalents consist 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. Obligations that may be pledged as collateral are obligations of the State and its municipalities. Investments are stated at fair value.

H. Accounts receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

I. Inventories

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

J. Capital assets

Capital assets are reported at actual cost. 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 entity-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Building	\$ 500	15-50 years
Permanent fixtures	500	5-20 years
Machinery and equipment	500	5-20 years

Certain infrastructure capital assets are accounted for using the modified approach permitted for eligible assets under GASB Statement 34. The modified approach requires that an asset management system be established which assures that an expenditure amount sufficient to preserve the assets in good condition for proper and efficient functioning is budgeted each year in lieu of depreciation. Accordingly, all expenditures made for those assets, other than additions and improvements that increase capacity or efficiency, are charged to expense in the period incurred instead of calculating depreciation. The Library is required to conduct a condition assessment of these assets at least once every three years.

K. Vested employee benefits - compensated absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation. Sick leave eligibility and accumulation is specified in Board policies, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

Library employees are granted vacation in varying amounts, based primarily on service, position and Board policy. Some earned benefits may be forfeited if not taken within specified time periods.

Consistent with GASB Statement 16, Accounting for Compensated Absences, 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 is calculated based on the pay rates in effect at year-end.

L. Other benefits

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

In addition to providing pension benefits, the Library provides post-employment health insurance coverage to retired employees and their families in accordance with the provisions of employment contracts in effect at the time of retirement. Substantially all of the Library's employees may become eligible for these benefits if they reach normal retirement age while working for the Library. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the Library and the retired employee. The Library recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

M. Accrued liabilities and long-term obligations

Payables, accrued liabilities and long-term obligations are reported in the entity-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements.

Long-term obligations represent the Library's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

N. Equity classifications:

a. Entity-wide financial statements

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

Net investment in capital asset – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

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

b. Fund financial statements

In the fund financial statements there are five 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. The Library has no nonspendable fund balances as of June 30, 2012.

Restricted - 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. The Library has established the following restricted fund balances:

Repair and capital improvements

Must be used to repair the roof, gutters, windows, and other structures resulting from leaks and water damage. Reserve can also be used for the cost of repairs and additions to capital improvements or equipment.

Employee benefit accrued liability

Must be used for the payment of accrued employee benefits due an employee upon termination of the employee's service.

Unemployment insurance

Must be used to pay for the cost of reimbursement for payments made to claimants where the employer has elected to use the benefit reimbursement method.

Restricted fund balance includes the following:

General Fund:

Repair and capital improvements	\$	582,675
Employee benefit accrued liability		26,157
Unemployment insurance		<u>7,295</u>

Total restricted fund balance \$ 616,127

Committed - Includes amounts that can only 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 as of June 30, 2012.

Assigned - Includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. Amounts appropriated for the subsequent year totaling \$31,569 was classified as assigned fund balance.

Unassigned - Includes all other General Fund net position that does not meet the definition of the above four classifications and is deemed to be available for general use by the Library.

## Order of Use of Fund Balance

The Library's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. Nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. 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.

## **2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND ENTITY-WIDE FINANCIAL STATEMENTS**

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

### **A. Total fund balance of governmental funds vs. net position of governmental activities**

Total fund balance 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 funds Balance Sheet.

### **B. Statement of Revenues, Expenditures and Change in Fund Balance vs. Statement of Activities**

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

#### **1. Long-term revenue 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.

#### **2. Capital related differences**

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund financial 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 fund financial statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund financial 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. In addition, differences also arise from the other post-employment benefit obligation representing the accumulated differences between the actuarial required contribution and the actual contribution recorded in the fund financial statements.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The voters of the community approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new 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. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with GAAP

4. CASH - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. The Library's investment policy and New York State statutes govern the Library's investments, as discussed previously in these Notes. The Library's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$	-
Collateralized with securities held by the pledging financial institutions, in the Village's name	\$	1,218,056

**5. CAPITAL ASSETS**

Capital asset balances and activity were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 27,000	\$ -	\$ -	\$ 27,000
Capital assets that are depreciated:				
Machinery and equipment	164,842	2,368	(15,747)	151,463
Building and permanent fixtures	1,360,439	35,014	-	1,395,453
Books and audio visual holdings	<u>2,228,680</u>	<u>168,593</u>	<u>-</u>	<u>2,397,273</u>
Total depreciable historical cost	<u>3,753,961</u>	<u>205,975</u>	<u>(15,747)</u>	<u>3,944,189</u>
Less accumulated depreciation:				
Machinery and equipment	119,448	6,061	-	125,509
Building and permanent fixtures	850,251	51,405	(7,151)	894,505
Books and audio visual holdings	<u>1,721,675</u>	<u>200,476</u>	<u>-</u>	<u>1,922,151</u>
Total accumulated depreciation	<u>2,691,374</u>	<u>257,942</u>	<u>(7,151)</u>	<u>2,942,165</u>
Total capital assets, net	<u>\$ 1,089,587</u>	<u>\$ (51,967)</u>	<u>\$ (8,596)</u>	<u>\$ 1,029,024</u>

**6. LONG-TERM DEBT OBLIGATIONS**

Long-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 117,178	\$ 40,960	\$ -	\$ 158,138	\$ -
Other post-employment benefits	<u>361,436</u>	<u>260,579</u>	<u>88,755</u>	<u>533,260</u>	<u>-</u>
Total long-term liabilities	<u>\$ 478,614</u>	<u>\$ 301,539</u>	<u>\$ 88,755</u>	<u>\$ 691,398</u>	<u>\$ -</u>

**7. PENSION PLAN**

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

The 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 NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244.

The System is noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees contribute 3% of their salary throughout their active membership. The New York State 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 a rate determined actuarially by the System. The Library contributions made to the System were equal to 100% of the contributions required for each year. Required contributions for the current and two preceding years were:

<u>Year</u>	<u>Amount</u>
2012	\$ 95,795
2011	75,223
2010	72,930

**8. POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS**

Plan description and annual OPEB cost

The Library provides post-employment (health insurance) coverage to retired full-time employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the Library's contractual agreements.

The Library implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, in the fiscal year ended June 30, 2010. This required the Library to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, 26 retired employees receive health benefits from the Library. Retirees contribute 0% to 20% for coverage depending on position held, date of hire, years of service, and fiscal year of retirement.

The Library recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2012, the Library recognized \$88,755 for its share of insurance premiums for currently enrolled retirees.

The Library has obtained an actuarial valuation report as of July 1, 2011 which indicates that the total liability for other post-employment benefits is \$2,542,447.

The Library's annual other post-employment benefit (OPEB) cost (expense) for its plan is calculated based on the *annual required contribution (ARC)* of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Library's net OPEB obligation:

	For the Year Ended <u>June 30, 2012</u>
Annual required contribution	\$ 269,896
Interest on net OPEB obligation	7,229
Adjustment to annual required contribution	<u>(16,546)</u>
Annual OPEB cost	260,579
Contributions made	<u>88,755</u>
Increase in net OPEB obligation	171,824
Net OPEB obligation – beginning of year	<u>361,436</u>
Net OPEB obligation – end of year	<u>\$ 533,260</u>

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$ 254,304	29%	\$ 180,294
6/30/11	\$ 262,569	31%	\$ 361,436
6/30/12	\$ 260,579	34%	\$ 533,260

Funded status and funding progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$2,542,447 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,542,447. The covered payroll (annual payroll of active employees covered by the plan) was \$784,159, and the ratio of the UAAL to the covered payroll was 324.2%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about

future employment, mortality, 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 revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 2% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 4.7% after 10 years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was 27 years.

### **9. RISK MANAGEMENT**

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. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

### **10. CONTINGENCIES AND COMMITMENTS**

#### Government grants

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. Based on prior years' experience, the Library's administration believes disallowances, if any, will be immaterial.

#### Property tax cap

In June 2011, subsequent to the adoption of the 2011-2012 Library budget but prior to the adoption of the 2012-2013 budget, New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years beginning in 2012 through at least June 15, 2016, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2 percent or the rate of inflation (but not less than 1 percent), whichever is less, with some exceptions. Local governments can exceed the tax levy limit by a 60% vote of the governing body, or by local law.

**11. PRIOR PERIOD ADJUSTMENT**

Net position in the entity-wide financial statements and fund balance in the fund financial statements have been restated as of June 30, 2011 to give effect to adjustments to the Library's reported expenses as follows:

	<u>Governmental Fund Balance</u>	<u>Library-Wide Net Position</u>
Balance as of June 30, 2011, as reported	\$ 1,005,147	\$ 1,577,480
Less: adjustment to reported expenses	<u>(70,604)</u>	<u>(70,604)</u>
Balance as of June 30, 2011, as restated	<u>\$ 934,543</u>	<u>\$ 1,506,876</u>

**12. SUBSEQUENT EVENTS**

The Library has evaluated subsequent events occurring after the Statement of Net Position through the date of October 9, 2012, which is the date the financial statements were available to be issued, noting no matters requiring further consideration.

SUPPLEMENTAL  
SCHEDULE 1

**SEAFORD PUBLIC LIBRARY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local sources:			
Real property taxes	\$ 1,875,852	\$ 1,875,852	\$ -
Building rental income	112,229	80,617	(31,612)
State aid	-	36,926	36,926
Charges for services	-	19,441	19,441
Interest income	-	2,502	2,502
Miscellaneous	-	12,930	12,930
Total revenue	1,988,081	2,028,268	40,187
<b>EXPENDITURES</b>			
Salaries:			
Professional	606,231	598,081	8,150
Clerical	305,665	306,903	(1,238)
Cleaners	42,497	42,603	(106)
Pages	51,282	37,718	13,564
Employee benefits:			
Health insurance	244,131	217,495	26,636
Social Security	76,935	74,860	2,075
Unemployment insurance	107,745	95,795	11,950
Dental insurance	13,125	11,532	1,593
MTA payroll tax	3,420	2,633	787
Library materials and programs:			
Books	130,000	103,543	26,457
DVD's	15,000	10,826	4,174
Books on tape and CD's	18,300	17,440	860
Software	1,200	585	615
Periodicals	39,000	36,051	2,949
Library operations - general:			
Library supplies	21,000	20,764	236
Publicity	3,500	3,655	(155)
Dues	1,150	1,260	(110)
Programs	34,500	32,648	1,852
Rental and repair of office equipment/service contracts	36,000	30,256	5,744
Library operations - building:			
Heat	12,000	3,043	8,957
Electric	46,000	38,077	7,923
Telephone	15,500	12,076	3,424
Water	1,900	1,370	530
Sewer usage fees	3,500	-	3,500
Custodial supplies	5,000	5,145	(145)
Repairs and maintenance/service contracts	80,000	71,420	8,580
Other expenses	4,200	642	3,558
Administrative expenses:			
Postage	11,600	9,054	2,546
Insurance	34,000	34,500	(500)
Professional fees	6,150	3,675	2,475
Budget vote	3,400	2,950	450
Displays	300	-	300
Professional improvement	3,600	3,513	87
Legal	3,000	1,170	1,830
Accounting and audit	7,250	8,000	(750)
Capital outlay:			
Equipment and furniture	-	30,936	(30,936)
Total expenditures	1,988,081	1,870,219	117,862
Excess of revenues over expenditures	-	158,049	<u>\$ 158,049</u>
Fund balance, beginning of year, as restated (see Note 11)	934,543	934,543	
Fund balance, end of year	\$ 934,543	\$ 1,092,592	

The accompanying notes to financial statements should be read in conjunction with this schedule.

**SEAFORD PUBLIC LIBRARY**  
**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/10	\$ -	\$ 2,485,479	\$ 2,485,479	0.0%	\$ 774,127	321.1%
06/30/11	-	2,401,599	2,401,599	0.0%	792,472	303.1%
06/30/12	-	2,542,447	2,542,447	0.0%	784,159	324.2%

The accompanying notes to financial statements should be read in conjunction with this schedule.



Nawrocki Smith LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Board of Trustees of the  
Seaford Public Library  
Town of Hempstead, New York:

We have audited the financial statements of the governmental activities and each major fund of the Seaford Public Library (the "Library") as of and for the year ended June 30, 2012, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

## Nawrocki Smith LLP

### 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*.

This report is intended solely for the information and use of the Board of Trustees, administration and others within the Library, and is not intended to be and should not be used by anyone other than these specified parties.

Melville, New York  
October 9, 2012

*Nawrocki Smith-LLP*