

EAST HAMPTON LIBRARY

**FINANCIAL REPORT
WITH ADDITIONAL INFORMATION**

DECEMBER 31, 2012

EAST HAMPTON LIBRARY

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INDEPENDENT AUDITOR'S REPORT

The Board of Managers
East Hampton Library
159 Main Street
East Hampton, New York 11937

We have audited the accompanying basic financial statements of the East Hampton Library as of and for the year ended December 31, 2012, as listed in the table of contents, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the East Hampton 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 8 and 22 through 25 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Hampton Library's financial statements as a whole. The Capital Fund, Long Island Collection Fund and the Permanent Fund schedules of revenues and expenditures are presented for purposes of additional analysis and are not a required part of the financial statements. The Capital Fund, Long Island Collection Fund and the Permanent Fund schedules of revenues and expenditures are the responsibility of management and were derived from and relate directly 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 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 as a whole.



Certified Public Accountants
Stewart Manor, New York
August 29, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

This annual report consists of three parts- *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library:

- The first five columns of the financial statements include information on the Library funds under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.

- The *government-wide financial statement* columns provide both long-term and short-term information about the Library's overall financial status. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these 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 financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Condensed Financial Information:

The table below compares key financial information in a condensed format between the current year and the prior year, in thousands of dollars:

| | <u>2012</u> | <u>2011</u> | Increase (Decrease) |
|---|------------------|-----------------|------------------------|
| Current assets | \$ 7,019 | \$ 4,929 | \$ 2,090 |
| Capital assets | <u>4,149</u> | <u>3,406</u> | <u>743</u> |
| Total Assets | <u>11,168</u> | <u>8,335</u> | <u>2,833</u> |
| Compensated absences (accrued vacation) | 38 | 34 | 4 |
| Other liabilities | <u>181</u> | <u>182</u> | <u>(1)</u> |
| Total Liabilities | <u>219</u> | <u>216</u> | <u>3</u> |
| Net Position: | | | |
| Invested in capital assets, net of long-term obligation | 4,149 | 3,406 | 743 |
| Restricted by donors for specific purposes | 5,763 | 3,035 | 2,728 |
| Unrestricted | <u>1,037</u> | <u>1,678</u> | <u>(641)</u> |
| Total Net Position | <u>\$ 10,949</u> | <u>\$ 8,119</u> | <u>\$ 2,830</u> |
| Revenue: | | | |
| Tax revenues and related item | \$ 1,260 | \$ 1,261 | \$ (1) |
| Bequests, gifts and donations | 2,857 | 671 | 2,186 |
| Investment income (loss) | 461 | 4 | 457 |
| Other income | <u>323</u> | <u>134</u> | <u>189</u> |
| Total Revenue | 4,901 | 2,070 | 2,831 |
| Expenses - Library services | <u>2,071</u> | <u>2,029</u> | <u>42</u> |
| Change in net position | <u>2,830</u> | <u>41</u> | <u>2,789</u> |
| Net position - beginning of year | <u>8,119</u> | <u>8,078</u> | <u>41</u> |
| Net position - End of Year | <u>\$ 10,949</u> | <u>\$ 8,119</u> | <u>\$ 2,830</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The Library As A Whole:

- The Library's net position increased by \$2,830,235 this year. The primary reasons for this increase were the very large and generous donations received for the Library expansion project.
- In prior years, the Library's primary source of revenue was from property tax related items. However, due to the generosity of the community, donations represented the largest component of income. Donations and special event (fundraising) income represented 64 percent of all Library revenue. Property tax related items represented 26 percent of total revenue.
- As is typical of service agencies, salaries and benefits are a significant expense of the Library, representing 64.6 percent of the Library's total expenses (as per the Statement of Activities). In the prior year, salaries and benefits represented 64.1 percent of total expenses.

The Library Funds:

Our analyses of the Library's major funds are included in the first five columns of pages 9 through 12 on the respective statements. The fund columns provide detailed information about the most significant funds – not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes and to maintain accountability for certain activities. The Library's major funds consist of the General Fund, the Capital Fund, the Long Island Collection Fund and the Permanent Fund.

Budgetary Highlights:

The following are explanations for the significant variations between the Library's final budget and the actual results of the General Fund:

- For the year ending December 31, 2012 there was an unfavorable budget variance for "Bequest, gifts and donations" of \$74,187. The Library attributes this to the fact that donors made more charitable donations during its special events such as the "Authors Night". Accordingly, there was a favorable budget variance in the special events revenue budget line.
- The Library received more interest and dividend income than expected because the Library had based its budgetary figure on the prevailing rates of return at the time the budget was prepared, which were lower than those realized.
- Realized and unrealized gains from investments are kept in their respective investment accounts and are not used to spend on operations. As such, the Library does not budget for this activity. Accordingly, there was a favorable budget variance of \$64,858.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Budgetary Highlights: (Continued)

- The variances within the budget lines for fines and for used book sales were due to unanticipated changes in volume and activity that are difficult to budget for.
- The pension expense budget line was over spent \$9,013. Due to more employees joining the retirement plan the Library was required to contribute more than had been anticipated.
- The audio books budget line was under spent because actual costs were lower than anticipated.
- The budget line for professional fees was over spent because the Library did not include fees paid to its investment advisory firm in its budget.
- In total the building operations budget section was under spent by \$37,740. This variance is the net of many budget variances within this section. The largest variance was the utility budget line which was under spent because actual costs were lower than anticipated. The repair and maintenance budget line was under spent because certain expenditures were postponed or eliminated during the building renovation.
- Due to an increase in the anticipated scope of special events additional expenditures were incurred, causing the Authors Night and the Children's fair budget line to be over spent.
- Total equipment budget line for equipment was over spent by \$5,359. More was spent for new computer equipment and a security system than originally anticipated.

Capital Assets and Debt Administration:

Capital outlay totaled \$905,787 for the current year. The majority of the expenditures (\$872,171) were for construction costs related to the expansion of the Library building. The remaining capital outlay expenditures were primarily for a security system and computer equipment. The library also discarded obsolete computer equipment with a cost of \$9,800.

The only long term obligation that the Library has is to its employees for unused vacation time (compensated absences). The liability for compensated absences at December 31, 2012 was \$38,089. This represents an increase of \$3,722 from the previous year.

Currently Known Conditions:

The 2013 tax revenues are projected to be \$1,375,442.

**EAST HAMPTON LIBRARY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AS OF DECEMBER 31, 2012**

| | General Fund | Capital Fund | Long Island Collection Fund | Permanent Fund | Total | Adjustments (Note 12) | Statement of Net Assets |
|---|---------------------|---------------------|-----------------------------|---------------------|---------------------|-----------------------|-------------------------|
| Assets: | | | | | | | |
| Cash and cash equivalents: | | | | | | | |
| Checking | \$ 23,324 | \$ 177,212 | \$ | \$ | \$ 200,536 | \$ | \$ 200,536 |
| Money market | 756,027 | 23,362 | 354,903 | 2,663,649 | 3,797,941 | | 3,797,941 |
| Certificates of deposit | 4,742 | 1,972,453 | | | 1,977,195 | | 1,977,195 |
| Cash on hand | 993 | | | | 993 | | 993 |
| Total cash and cash equivalents | <u>785,086</u> | <u>2,173,027</u> | <u>354,903</u> | <u>2,663,649</u> | <u>5,976,665</u> | <u>0</u> | <u>5,976,665</u> |
| Interest receivable | 4,630 | | | 6,040 | 10,670 | | 10,670 |
| Other receivables | 391 | | | | 391 | | 391 |
| Internal receivables | 11,951 | 1,106 | 3,368 | | 16,425 | (16,425) | |
| Prepaid insurance | 39,538 | 11,023 | | | 50,561 | | 50,561 |
| Deposits | 3,496 | | 5,625 | | 9,121 | | 9,121 |
| Bookstore inventory | | | 59,360 | | 59,360 | | 59,360 |
| Investments | 357,036 | | | 554,827 | 911,863 | | 911,863 |
| Capital assets: | | | | | | | |
| Land | | | | | | 25,000 | 25,000 |
| Other capital assets, net of depreciation | | | | | | 4,124,297 | 4,124,297 |
| Total Assets | <u>\$ 1,202,128</u> | <u>\$ 2,185,156</u> | <u>\$ 423,256</u> | <u>\$ 3,224,516</u> | <u>\$ 7,035,056</u> | <u>\$ 4,132,872</u> | <u>\$ 11,167,928</u> |

The accompanying notes are an integral part of the financial statements.

**EAST HAMPTON LIBRARY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AS OF DECEMBER 31, 2012**

| | General Fund | Capital Fund | Long Island Collection Fund | Permanent Fund | Total | Adjustments (Note 12) | Statement of Net Assets |
|--|---------------------|---------------------|-----------------------------|---------------------|---------------------|-----------------------|-------------------------|
| Liabilities: | | | | | | | |
| Accounts payable | \$ 20,534 | \$ 45,831 | \$ | \$ | \$ 66,365 | \$ | \$ 66,365 |
| Accrued payroll | 39,431 | | | | 39,431 | | 39,431 |
| Accrued pension | 74,840 | | | | 74,840 | | 74,840 |
| Internal payables | 4,474 | | | 11,951 | 16,425 | (16,425) | |
| Non-current liabilities: | | | | | | | |
| Compensated absences payable | | | | | | 38,089 | 38,089 |
| Total Liabilities | <u>139,279</u> | <u>45,831</u> | <u>0</u> | <u>11,951</u> | <u>197,061</u> | <u>21,664</u> | <u>218,725</u> |
| Fund Balance: | | | | | | | |
| Unassigned | 156,859 | | | | 156,859 | (156,859) | |
| Committed for maintenance of book collection and materials | 451,605 | | 358,271 | | 809,876 | (809,876) | |
| Restricted for: | | | | | | | |
| Capital improvements | | 2,139,325 | | | 2,139,325 | (2,139,325) | |
| Physical plant maintenance and repair | 393,763 | | | | 393,763 | (393,763) | |
| Library programs | 17,588 | | | | 17,588 | (17,588) | |
| Nonspendable: | | | | | | | |
| Prepaid expenses, inventory, etc. | 43,034 | | 64,985 | | 108,019 | (108,019) | |
| Held for endowment | | | | 3,212,565 | 3,212,565 | (3,212,565) | |
| Total Fund Balance | <u>1,062,849</u> | <u>2,139,325</u> | <u>423,256</u> | <u>3,212,565</u> | <u>6,837,995</u> | <u>(6,837,995)</u> | |
| Total Liabilities And Fund Balance | <u>\$ 1,202,128</u> | <u>\$ 2,185,156</u> | <u>\$ 423,256</u> | <u>\$ 3,224,516</u> | <u>\$ 7,035,056</u> | | |
| Net Position: | | | | | | | |
| Invested in capital assets, net of related obligation | | | | | | 4,149,297 | 4,149,297 |
| Restricted by donors for specific purposes | | | | | | 5,763,241 | 5,763,241 |
| Unrestricted | | | | | | 1,036,665 | 1,036,665 |
| Total Net Position | | | | | | <u>\$ 10,949,203</u> | <u>\$ 10,949,203</u> |

The accompanying notes are an integral part of the financial statements.

EAST HAMPTON LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

| | General Fund | Capital Fund | Long Island Collection Fund | Permanent Fund | Total | Adjustments (Note 12) | Statement of Activities |
|-------------------------------|---------------------|---------------------|-----------------------------|-------------------|---------------------|-----------------------|-------------------------|
| Revenues: | | | | | | | |
| Tax revenues and related item | \$ 1,260,321 | \$ | \$ | \$ | \$ 1,260,321 | \$ | \$ 1,260,321 |
| Bequests, gifts and donations | 62,413 | 2,774,495 | 15,200 | 5,100 | 2,857,208 | | 2,857,208 |
| Investment income (loss) | 185,308 | 2,476 | 31,890 | 241,585 | 461,259 | | 461,259 |
| Fines | 11,123 | | | | 11,123 | | 11,123 |
| Lost books | 2,901 | | | | 2,901 | | 2,901 |
| Non-resident fees | 950 | | | | 950 | | 950 |
| LIC media services | 215 | | | | 215 | | 215 |
| Copier income | 5,520 | | | | 5,520 | | 5,520 |
| NY State aid and grants | 6,113 | | | | 6,113 | | 6,113 |
| Special events | 278,430 | | | | 278,430 | | 278,430 |
| Book and other desk sales | 13,085 | | 3,755 | | 16,840 | | 16,840 |
| Total Revenues | \$ 1,826,379 | \$ 2,776,971 | \$ 50,845 | \$ 246,685 | \$ 4,900,880 | \$ 0 | \$ 4,900,880 |

The accompanying notes are an integral part of the financial statements.

**EAST HAMPTON LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | General Fund | Capital Fund | Long Island Collection Fund | Permanent Fund | Total | Adjustments (Note 12) | Statement of Activities |
|---|---------------------|---------------------|-----------------------------|---------------------|---------------------|-----------------------|-------------------------|
| Expenditures/Expenses For | | | | | | | |
| Library Services: | | | | | | | |
| Salaries and employee benefits | \$ 1,334,528 | \$ | \$ | \$ | \$ 1,334,528 | \$ 3,722 | \$ 1,338,250 |
| Library materials and programs | 185,979 | | 5,257 | | 191,236 | (5,257) | 185,979 |
| Library operations | 126,980 | 3,655 | 6,273 | 18,850 | 155,758 | | 155,758 |
| Building operations | 131,360 | | | | 131,360 | | 131,360 |
| Special events | 96,624 | | | | 96,624 | | 96,624 |
| Capital outlay | 28,359 | 872,171 | | | 900,530 | (900,530) | |
| Depreciation | | | | | | 162,674 | 162,674 |
| Total Expenditures/Expenses | <u>1,903,830</u> | <u>875,826</u> | <u>11,530</u> | <u>18,850</u> | <u>2,810,036</u> | <u>(739,391)</u> | <u>2,070,645</u> |
| Excess (Deficiency) Of Revenues Over Expenditures | (77,451) | 1,901,145 | 39,315 | 227,835 | 2,090,844 | 739,391 | |
| Other Financing Sources/Uses: | | | | | | | |
| Transfers- internal activities | 0 | 0 | 0 | | 0 | | |
| Excess (Deficiency) Of Revenues And Transfers In Over Expenditures | (77,451) | 1,901,145 | 39,315 | 227,835 | 2,090,844 | (2,090,844) | |
| Change In Net Position | | | | | | 2,830,235 | 2,830,235 |
| Fund balance/net position - beginning of year | 1,140,300 | 238,180 | 383,941 | 2,984,730 | 4,747,151 | 3,371,817 | 8,118,968 |
| Fund Balance/Net position- End Of The Year | <u>\$ 1,062,849</u> | <u>\$ 2,139,325</u> | <u>\$ 423,256</u> | <u>\$ 3,212,565</u> | <u>\$ 6,837,995</u> | <u>\$ 4,111,208</u> | <u>\$ 10,949,203</u> |

The accompanying notes are an integral part of the financial statements.

**EAST HAMPTON LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1: Summary of Significant Accounting Policies

The accounting policies of East Hampton Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Accordingly, in June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments*. Some of the significant changes in the statement include the following:

- A management’s Discussion and Analysis section providing an analysis of the Library’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library’s activities.
- A change in the fund financial statements to focus on the major funds.

The following is a summary of the significant accounting policies:

- A. **Reporting Entity:** The East Hampton Library is an exempt organization under section 501 (c) (3) of the Internal Revenue Code. Founded in 1897, the Library was established to provide educational and cultural assistance and now serves the East Hampton, Wainscott and Springs school districts. The Library Board of Managers is responsible for the approval of the proposed annual budget and oversight of the Library management’s control and disbursement of funds and maintenance of assets. The Library’s management is solely responsible for day-to-day operations.
- B. **Management Focus, Basis of Accounting and Financial Statement Presentation:** The Library’s basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library’s major funds).

Government-Wide Financial Statements: The Government-wide financial statements (i.e. the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are applicable. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library’s net position is reported in three parts- invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

**EAST HAMPTON LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Management Focus, Basis of Accounting and Financial Statement Presentation: (continued)

Fund Financial Statements: Governmental fund financial statements are reported using the modified accrual basis of accounting prescribed by the Governmental Accounting Standards Board and the State of New York's Department of Audit and Control, Division of Municipal Affairs. Under this method, revenues are recognized in the period in which they become both 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 fiscal year end, except for real property taxes, which are available if they are collected within sixty days after the end of the year. Fees and other income items other than interest income are recorded when received in cash. Expenditures are recognized in the period in which the liability is incurred. However, debt service expenditures are recorded only when a payment is due.

The Library reports on the following funds:

General Fund: This fund is established to account for resources devoted to the general services that the Library performs for its taxpayers. General tax revenues and other sources of revenues used to finance the fundamental operation of the Library are included in this fund. The investment activity of the accounts known as the "Contingency Account" and the "Operating Account" are included in this fund. In addition, the donor restricted funds for programs, known as the "Burack Account", the donor restricted funds for building maintenance, known as the "Building Maintenance Fund", and the Board restricted funds for maintenance of the book collection and library materials, known as the "Whipple Account" are also included in this fund.

Capital Fund: This fund is established to account for resources devoted to the renovation and improvement of the Library building. The investment activity of the account known as the "Long Range Capital Account" is included in this fund. This is a Board restricted fund.

Long Island Collection Fund: This fund is established to account for resources devoted to the acquisition and maintenance of Long Island and East Hampton historical documents. The investment activity of the account known as the "L.I. Collection Account" is included in this fund. This is a Board restricted fund.

**EAST HAMPTON LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Management Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Permanent (Endowment) Fund: This fund is established to account for resources donated to the Library where either the principal donation and/or the income generated by such donation has been earmarked for a specific purpose. The investment activity of the accounts known as the “Book Fund” and the “Donor Restricted Account” are included in this fund. These are donor restricted funds.

C. Interfund Transactions: The operations of the Library include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Library may occasionally loan resources between funds for cash flow purposes. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted General Fund revenues to finance various programs that the Library must account for in other funds in accordance with budgetary authorizations.

D. Budgetary Accounting: Formal budgetary accounting is employed as a management control of the general fund. Expenditures are compared to actual results in the report.

E. Fund Balance Classifications: The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* that defines the different types of fund balances that a governmental entity must use for financial reporting purposes. They are as follows:

Nonspendable: This includes amounts that cannot be spent because they are either not in spendable form (i.e. inventories, prepaid expenses, etc.) or they are legally or contractually required to be maintained intact.

Restricted: This includes amounts with constraints placed on the use of resources. These constraints can be externally imposed by creditors, grantors, contributors, or imposed by laws and regulations.

Committed: This includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Library’s Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

**EAST HAMPTON LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Fund Balance Classifications: (Continued)

Assigned: This includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. The Library Board is not required to impose or remove the constraint. Assignments of fund balance cannot be made if it would result in a negative unassigned fund balance.

Unassigned: This includes the residual classification for the Library's general fund. This classification represents fund balance that has not been assigned to other funds, assigned for specific purposes, restricted, or committed.

F. Use of Restricted/Unrestricted Net Assets: When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Library's policy is to apply restricted net position first.

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

H. Capital Assets: Capital assets are defined by the Library as assets with an initial cost of \$500 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, collectible materials and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Library materials are not capitalized unless they are considered rare or collectible. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|-------------------------------|----------|
| Buildings | 40 years |
| Improvements | 40 years |
| Permanent fixtures | 20 years |
| Furniture | 7 years |
| Computers and other equipment | 5 years |

**EAST HAMPTON LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1: Summary of Significant Accounting Policies (Continued)

- I. Donated Services:** No amounts have been reflected in the financial statements for donated services. The Library generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Library with specific activities, special events, and various Board assignments.

NOTE 2: Concentration of Credit Risk

The Library maintains its cash balances at several banks and one brokerage house. At year end, the Library's carrying amount of deposits (excludes cash on hand) was \$5,975,672 and the bank balance was \$6,071,618. Of the bank balance, \$530,482 was covered by federal depository insurance. Of the remaining balance, \$1,727,195 was covered by collateral held by the Library's agent and \$3,813,941 was uncollateralized. Although uncollateralized, the \$3,813,941 was covered by the Security Investor Protection Corp.

NOTE 3: Cash and Cash Equivalents

The Library has defined cash and cash equivalents to include cash on hand, demand deposits, certificate of deposits and short-term investments with a maturity of three months or less.

NOTE 4: Inventory

Inventory consists of books, videos, maps and posters relating to East Hampton's past that the Library holds for resale. Inventory is stated at the lower of cost or market, determined by the first-in, first-out method.

**EAST HAMPTON LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 5: Investments

The Library invests in equity mutual funds, equity securities, U.S. government obligations and corporate debt securities. Fair values for investments are determined by reference to quoted market prices for similar investments, yield curves, and other relevant information. There were no changes in valuation techniques in the year ended December 31, 2012. The Library recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the year ended December 31, 2012.

Fair value measurements for investments reported at fair value on a recurring basis at December 31, 2012 were determined based on:

| | Quoted Prices In Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Total Fair Market Value | Total Cost |
|---|---|--|--|-----------------------|
| C.D.'s With Maturities Over Over Three Months: | | | | |
| General Fund : | | | | |
| Building Maintenance Account | \$ 46,091 | \$ 0 | \$ 46,091 | \$ 48,624 |
| Marketable Debt Securities: | | | | |
| Corporate Bonds: | | | | |
| General Fund : | | | | |
| Building Maintenance Account | 310,945 | | 310,945 | 284,657 |
| Permanent Fund: | | | | |
| Donor Restricted Account | 554,827 | | 554,827 | 500,439 |
| Total Marketable Debt Securities | <u>865,772</u> | <u>0</u> | <u>865,772</u> | <u>785,096</u> |
| Total Investments | <u>\$ 911,863</u> | <u>\$ 0</u> | <u>\$ 911,863</u> | <u>\$ 833,720</u> |

**EAST HAMPTON LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 6: Capital Assets

A summary of changes in general fixed assets is as follows:

| | Balance as of 1/1/2012 | Additions | Deletions | Balance as of 12/31/2012 |
|---|---------------------------------------|------------------|------------------|---|
| Assets not being depreciated: | | | | |
| Land | \$ 25,000 | \$ | \$ | \$ 25,000 |
| Other Media | 0 | 5,257 | | 5,257 |
| Construction in progress - planning costs & architect fees | 690,821 | 872,171 | | 1,562,992 |
| Other Capital Assets: | | | | |
| Building and improvements | 4,359,613 | 12,194 | | 4,371,807 |
| Furniture and fixtures | 421,467 | 4,142 | | 425,609 |
| Computers & other equipment | 320,450 | 12,023 | (9,800) | 322,673 |
| Total | 5,817,351 | 905,787 | (9,800) | 6,713,338 |
| Accumulated depreciation | (2,411,167) | (162,674) | 9,800 | (2,564,041) |
| Net Book Value | \$ 3,406,184 | \$ 743,113 | \$ 0 | \$ 4,149,297 |

NOTE 7: Accounts Payable

Accounts payable consisted of unpaid invoices at December 31, 2012.

NOTE 8: Compensated Absences Payable

The Library has an accumulated liability as of December 31, 2012 for unused vacation pay amounting to \$38,089. This is an increase of \$3,722 from the prior year.

**EAST HAMPTON LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 9: Pension Plan

All employees who work a minimum of 500 hours per year are eligible to participate in a non-contributory pension plan after meeting the service requirement and the attainment of age 21. The plan is a money purchase plan and provides for a contribution of 8% of the annual earnings of participating employees. For the year ending December 31, 2012, the Library's estimated required contribution to the plan will be \$74,840. The value of the plan assets at December 31, 2012 (excluding the contribution receivable) was \$505,883. Other than the 2012 annual contribution, there were no significant liabilities at December 31, 2012.

NOTE 10: Post-employment Benefits

Although it is not generally Library policy to provide post-employment health insurance for its employees, during 2012, the Library did pay for three retiree's health insurance at a cost of \$16,198. This has been recorded as an expense in the General Fund. The Library is under no obligation to pay these costs in the future.

NOTE 11: Exploration of Expansion and Alteration of Library Facility

In May 2002, the Library entered into an agreement with an architecture firm to perform architectural and engineering services in connection with a possible addition to the existing building as well as alterations to existing rooms. The first phase called for the preparation of a preliminary schematic design and certain additional services which may be required. Site plans and schematic drawings, which scaled back the original expansion to 6,802 square feet, have been prepared and submitted to the East Hampton Village Zoning Board of Appeals, along with an updated Draft Environmental Impact Statement.

In May 2011, after eight years of hearings with the East Hampton Village Zoning Board of Appeals, a New York State Supreme Court awarded the Library a special permit and variances needed to proceed with its plans for the extension and alteration of its existing building. During 2012 the Library broke ground on its construction project.

All construction planning costs have been paid from private donations. The total costs from inception of the project through December 31, 2012 are \$1,562,992. Of this total, \$872,171 was incurred during 2012.

**EAST HAMPTON LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 12: Reconciliation of Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net position and changes in net position of the governmental activities reported in the statement of net position and statement of activities. This difference primarily results from the long-term economic focus of the statement of net position and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net position and the net change in fund balance to the net change in net position:

Total Fund Balance- Modified Accrual Basis \$6,837,995

Amounts reported in the statement of net position are different because:

- Capital assets are not financial resources, and are not reported in the funds 4,149,297
- Compensated absences are included as a liability (38,089)

Total Net Position- Full Accrual Basis \$10,949,203

Net Change in Fund Balance- Modified Accrual Basis \$2,090,844

Amounts reported in the statement of activities are different because:

- (Increase)/decrease in the accruals for items reported as expenditures in the statements of activities, not in the fund statements:
 Compensated absences (3,722)
- Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are expensed over their estimated useful lives as depreciation:
 Capital outlay 905,787
 Depreciation expense (162,674)

Change in Net Position- Full Accrual Basis \$2,830,235

**EAST HAMPTON LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Balances</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|----------------------------|---|
| Revenues: | | | | |
| Tax Revenues And Related Item: | | | | |
| East Hampton Union Free School District | \$ 1,255,722 | \$ 1,255,722 | \$ 1,256,465 | \$ 743 |
| Payments in lieu of taxes | 0 | 0 | 3,856 | 3,856 |
| Total Tax Revenues And Related Item | <u>1,255,722</u> | <u>1,255,722</u> | <u>1,260,321</u> | <u>4,599</u> |
| Operating Revenue: | | | | |
| Bequests, gifts and donations | 136,600 | 136,600 | 62,413 | (74,187) |
| Interest and dividend income - general fund | 31,800 | 31,800 | 39,506 | 7,706 |
| Interest and dividend income - transferred from the permanent fund | 66,400 | 66,400 | 80,944 | 14,544 |
| Realized and unrealized gain/(loss) on investments | 0 | 0 | 64,858 | 64,858 |
| Fines | 19,000 | 19,000 | 11,123 | (7,877) |
| Lost books | 2,000 | 2,000 | 2,901 | 901 |
| Non-resident fees | 1,500 | 1,500 | 950 | (550) |
| LIC media services | 0 | 0 | 215 | 215 |
| Copier income | 6,000 | 6,000 | 5,520 | (480) |
| NY State aid and grants | 3,150 | 3,150 | 6,113 | 2,963 |
| Used book sales | 6,000 | 6,000 | 13,058 | 7,058 |
| Desk sales | 500 | 500 | 27 | (473) |
| Total Operating Revenue | <u>272,950</u> | <u>272,950</u> | <u>287,628</u> | <u>14,678</u> |
| Special Events: | | | | |
| Special event income | | | 154,280 | |
| Charitable contributions | | | 124,150 | |
| Total Special Events | <u>230,000</u> | <u>230,000</u> | <u>278,430</u> | <u>48,430</u> |
| Total Revenues | <u>\$ 1,758,672</u> | <u>\$ 1,758,672</u> | <u>\$ 1,826,379</u> | <u>\$ 67,707</u> |

The accompanying notes are an integral part of the financial statements.

BALDESSARI & COSTER LLP

**EAST HAMPTON LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Balances</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|----------------------------|---|
| Expenditures: | | | | |
| Salaries And Employee Benefits: | | | | |
| Salaries | \$ 947,161 | \$ 947,161 | \$ 1,008,920 | \$ (61,759) |
| Social Security | 72,458 | 72,458 | 73,985 | (1,527) |
| Health insurance | 170,359 | 170,359 | 158,863 | 11,496 |
| Dental insurance | 3,819 | 3,819 | 3,455 | 364 |
| Pension | 71,263 | 71,263 | 80,276 | (9,013) |
| Disability insurance | 520 | 520 | 604 | (84) |
| Unemployment insurance | 5,191 | 5,191 | 3,953 | 1,238 |
| Workers compensation | 8,486 | 8,486 | 4,472 | 4,014 |
| Total Salaries And Employee Benefits | <u>1,279,257</u> | <u>1,279,257</u> | <u>1,334,528</u> | <u>(55,271)</u> |
| Library Materials And Programs: | | | | |
| Books | 69,000 | 69,000 | 62,766 | 6,234 |
| Compact disks | 500 | 500 | 446 | 54 |
| Audio books | 14,000 | 14,000 | 7,882 | 6,118 |
| DVD's | 20,000 | 20,000 | 19,991 | 9 |
| Periodicals and microfilm | 11,000 | 11,000 | 9,185 | 1,815 |
| Overdrive (SuffolkWave) | 9,600 | 9,600 | 9,600 | 0 |
| SCLS - service fees and electronic resources | 44,151 | 44,151 | 44,479 | (328) |
| Adult / Young adult programs | 11,000 | 11,000 | 7,231 | 3,769 |
| Children's programs | 27,000 | 27,000 | 22,792 | 4,208 |
| Cablevision/web hosting | 1,200 | 1,200 | 1,607 | (407) |
| Total Library Materials And Programs | <u>\$ 207,451</u> | <u>\$ 207,451</u> | <u>\$ 185,979</u> | <u>\$ 21,472</u> |

The accompanying notes are an integral part of the financial statements.

BALDESSARI & COSTER LLP

**EAST HAMPTON LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Balances</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|----------------------------|---|
| Expenditures: (continued) | | | | |
| Library Operations: | | | | |
| Office, library and computer supplies | \$ 19,000 | \$ 19,000 | \$ 19,237 | \$ (237) |
| Auditing fees | 13,500 | 13,500 | 11,700 | 1,800 |
| Copier and printer expense | 13,000 | 13,000 | 13,210 | (210) |
| Computer software | 12,000 | 12,000 | 13,085 | (1,085) |
| Dues and conferences | 9,000 | 9,000 | 10,013 | (1,013) |
| SCLS - PALS | 11,000 | 11,000 | 10,983 | 17 |
| Telephone | 3,500 | 3,500 | 4,060 | (560) |
| Newsletter and printing | 2,000 | 2,000 | 0 | 2,000 |
| Publicity | 9,000 | 9,000 | 10,149 | (1,149) |
| Postage | 3,000 | 3,000 | 2,317 | 683 |
| LIC media expense | 1,000 | 1,000 | 301 | 699 |
| Professional fees | 4,500 | 4,500 | 13,725 | (9,225) |
| Society membership (fundraising costs) | 5,200 | 5,200 | 4,213 | 987 |
| Calendar production costs | 5,500 | 5,500 | 5,214 | 286 |
| MTA commuter tax | 3,220 | 3,220 | 876 | 2,344 |
| Budget vote | 1,000 | 1,000 | 1,420 | (420) |
| Storage | 0 | 0 | 4,345 | (4,345) |
| Miscellaneous | 5,000 | 5,000 | 2,132 | 2,868 |
| Total Library Operations | <u>120,420</u> | <u>120,420</u> | <u>126,980</u> | <u>(6,560)</u> |
| Building Operations: | | | | |
| Utilities | 72,000 | 72,000 | 52,191 | 19,809 |
| Contracted services | 27,000 | 27,000 | 20,891 | 6,109 |
| Insurance | 29,400 | 29,400 | 29,787 | (387) |
| Grounds maintenance | 12,000 | 12,000 | 8,210 | 3,790 |
| Repair and maintenance | 23,000 | 23,000 | 15,072 | 7,928 |
| Maintenance supplies | 4,500 | 4,500 | 4,069 | 431 |
| Cartage | 1,200 | 1,200 | 1,140 | 60 |
| Total Building Operations | <u>\$ 169,100</u> | <u>\$ 169,100</u> | <u>\$ 131,360</u> | <u>\$ 37,740</u> |

The accompanying notes are an integral part of the financial statements.

**EAST HAMPTON LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Balances</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|----------------------------|---|
| Expenditures: (continued) | | | | |
| Special Events: | | | | |
| Authors night | \$ 50,000 | \$ 50,000 | \$ 56,391 | \$ (6,391) |
| Children's fair | 20,000 | 20,000 | 40,233 | (20,233) |
| Total Special Events | <u>70,000</u> | <u>70,000</u> | <u>96,624</u> | <u>(26,624)</u> |
| Capital Outlay: | | | | |
| Building improvement | | | | 0 |
| Equipment | 23,000 | 23,000 | 28,359 | (5,359) |
| Total Capital Outlay | <u>23,000</u> | <u>23,000</u> | <u>28,359</u> | <u>(5,359)</u> |
| Total Expenditures | <u>1,869,228</u> | <u>1,869,228</u> | <u>1,903,830</u> | <u>(34,602)</u> |
| Excess Of Revenues Over (Under) Expenditures | <u>(110,556)</u> | <u>(110,556)</u> | <u>(77,451)</u> | <u>33,105</u> |
| Other Financing Sources: | | | | |
| Transfer from Building Maintenance Fund | 41,000 | 41,000 | 0 | (41,000) |
| Transfer from Burack Fund | 35,000 | 35,000 | 0 | (35,000) |
| Transfer from Whipple Fund | 35,000 | 35,000 | 0 | (35,000) |
| Total Other Financing Sources | <u>111,000</u> | <u>111,000</u> | <u>0</u> | <u>(111,000)</u> |
| Excess of Revenues And Other Financing Sources Over (Under) Expenditures | <u>444</u> | <u>444</u> | <u>(77,451)</u> | <u>(77,895)</u> |
| Budgetary fund balance- beginning of year | <u>1,140,300</u> | <u>1,140,300</u> | <u>1,140,300</u> | <u>1,140,300</u> |
| Budgetary Fund Balance- End Of Year | <u>\$ 1,140,744</u> | <u>\$ 1,140,744</u> | <u>\$ 1,062,849</u> | <u>\$ 1,062,405</u> |

The accompanying notes are an integral part of the financial statements.

**EAST HAMPTON LIBRARY
CAPITAL FUND SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | | |
|---|------------|----------------------------|
| Revenues: | | |
| Bequests, gifts and donations | | \$ 2,774,495 |
| Interest and dividend income | | <u>2,476</u> |
| Total Revenues | | <u>2,776,971</u> |
| | | |
| Expenditures: | | |
| Capital outlay | \$ 872,171 | |
| Publicity, printing and postage | 2,957 | |
| Miscellaneous | <u>698</u> | |
| Total Expenditures | | <u>875,826</u> |
| | | |
| Excess Of Revenues Over (Under) | | |
| Expenditures | | 1,901,145 |
| | | |
| Other Financing Uses: | | |
| Transfer to General Fund | | <u>0</u> |
| | | |
| Excess Of Revenues Over (Under) Expenditures | | |
| And Other Financing Uses | | <u><u>\$ 1,901,145</u></u> |

The accompanying notes are an integral part of the financial statements.

BALDESSARI & COSTER LLP

**EAST HAMPTON LIBRARY
LONG ISLAND COLLECTION FUND SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | | |
|--|-----------|-----------------------------|
| Revenues: | | |
| Donations | \$ | 15,200 |
| Book sales (net of cost of sales of \$955) | | 3,755 |
| Interest and dividend income | | 7,233 |
| Realized and unrealized gain (loss) on investments | | <u>24,657</u> |
| Total Revenues | | 50,845 |
| | | |
| Expenditures: | | |
| Library materials | \$ | 5,257 |
| Professional fees | | 2,221 |
| Storage fees | | 4,040 |
| Miscellaneous | | <u>12</u> |
| Total Expenditures | | <u>11,530</u> |
| Excess Of Revenues Over Expenditures | | 39,315 |
| | | |
| Other Financing Uses: | | |
| Transfer to General Fund | | <u>0</u> |
| Excess Of Revenues Over (Under) Expenditures And Other Financing Uses | \$ | <u><u>39,315</u></u> |

The accompanying notes are an integral part of the financial statements.

**EAST HAMPTON LIBRARY
PERMANENT FUND SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | | |
|--|-----------------|--------------------------|
| Revenues: | | |
| Realized and unrealized gain (loss) on investments | \$ | 241,585 |
| Donation income | | 5,100 |
| Interest and dividend income | \$ 80,944 | |
| Less amount transferred to General Fund | <u>(80,944)</u> | <u>0</u> |
| Total Revenues | | 246,685 |
| Expenditures: | | |
| Professional fees | | <u>18,850</u> |
| Excess Of Revenues Over Expenditures | | 227,835 |
| Other Financing Uses: | | |
| Transfer to General Fund | | <u>0</u> |
| Excess Of Revenues Over (Under) Expenditures And Other Financing Uses | | <u><u>\$ 227,835</u></u> |

The accompanying notes are an integral part of the financial statements.