

SEAFORD DISTRICT LIBRARY, INC.
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2011 (REVIEWED) AND 2010 (COMPILED)

**SEAFORD DISTRICT LIBRARY, INC.
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FOR THE YEARS ENDED JUNE 30, 2011 (REVIEWED) AND 2010 (COMPILED)**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Commissioners
Seaford District Library, Inc.
Seaford, Delaware

We have reviewed the accompanying statement of cash receipts and disbursements of Seaford District Library, Inc. (a nonprofit organization) for the year ended June 30, 2011. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Library personnel. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statement as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash receipts and disbursements basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statement.

Our responsibility is to conduct the review in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statement in order for it to be in conformity with the cash receipts and disbursements basis of accounting, as described in Note A.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with the cash receipts and disbursements basis of accounting, as described in Note A. The supplementary information included herein is presented only for purposes of additional analysis. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled on the cash receipts and disbursement basis of accounting from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or provide any other form of assurance on the supplementary information.

The accompanying 2010 financial statements of Seaford District Library, Inc. were compiled by us. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. Accordingly, we do not express an opinion or provide any assurance about whether these financial statements are in accordance with the cash receipts and disbursements basis of accounting as described in Note A.

Jefferson, Urian, Doane & Sterner, P.A.

Georgetown, Delaware
October 25, 2011

SEAFORD DISTRICT LIBRARY, INC.
 STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE YEARS ENDED JUNE 30, 2011 (REVIEWED) AND 2010 (COMPILED)

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	<u>2011</u>	<u>2010</u>
RECEIPTS		
Book sales	\$ 2,402	\$ 2,143
Building fund income	104,477	532,071
Copy machine	2,999	3,259
City of Seaford	1,500	1,500
Dividends	16,840	12,297
E-Rate	2,169	323
Fees and fines	20,943	14,927
Gifts and donations	4,722	2,149
Insurance reimbursements	-	5,895
Interest	632	4,175
Miscellaneous	3,993	218
Proceeds from loan	-	750,000
Proceeds from sale of furniture	2,508	-
Proceeds from sale of securities	66,835	215,015
State of Delaware	106,369	1,183,294
Sussex County	247,353	239,834
	<u>583,742</u>	<u>2,967,100</u>
TOTAL RECEIPTS		
DISBURSEMENTS		
Accounting	6,265	5,965
Advertising	135	-
Audio visual	6,408	7,770
Automation	-	5,942
Books	34,993	26,527
Capital expenditures	151,398	2,041,981
Commissions	4,624	4,310
Dues and subscriptions	10,282	4,083
Fuel	8,693	4,597
Hospitalization	10,878	9,872
Interest expense	27,350	25,217
Insurance	11,490	8,781
Janitorial services and supplies	11,385	3,695
Loan repayment	75,642	101,660
Maintenance and repairs	13,345	14,340
Mileage	710	460
Miscellaneous	902	565
Office supplies	11,654	11,662
Payroll taxes	18,277	14,970
Payroll expenses	509	378
Programs and projects	6,393	9,781
Salaries	238,919	195,680
Securities purchased	43,156	209,314
Telephone	3,882	3,488

See accompanying notes and accountant's report.

SEAFORD DISTRICT LIBRARY, INC.
 STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - CONTINUED
 FOR THE YEARS ENDED JUNE 30, 2011 (REVIEWED) AND 2010 (COMPILED)

	<u>2011</u>	<u>2010</u>
DISBURSEMENTS - CONTINUED		
Training and education	\$ 586	\$ 399
Utilities	47,215	41,839
	<u>745,091</u>	<u>2,753,276</u>
TOTAL DISBURSEMENTS		
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(161,349)	213,824
BEGINNING CASH BALANCE	<u>386,969</u>	<u>173,145</u>
ENDING CASH BALANCE	<u>\$ 225,620</u>	<u>\$ 386,969</u>
 COMPOSITION OF ENDING CASH BALANCE		
Certificate of deposit - circulation	\$ 10,635	\$ 10,373
Certificate of deposit - general	28,314	43,388
Checking account - building fund	2,888	39,830
Checking accounts - general	60,662	69,004
Escrow account - building fund	41,463	98,285
Money market accounts - building fund	70,522	115,685
Petty cash - general	450	450
Wilmington Brokerage Services Company - circulation	2,769	2,318
Wilmington Brokerage Services Company and Merrill Lynch - general	7,917	7,636
	<u>7,917</u>	<u>7,636</u>
TOTAL COMPOSITION OF ENDING CASH BALANCE	<u>\$ 225,620</u>	<u>\$ 386,969</u>

NOTE A - ACCOUNTING POLICIES

Nature of Activities

The Seaford District Library, Inc. (the Library) provides library services to the general public. It is a free public library that provides collections of reading materials, programs, and services to benefit the Seaford area. The Library is supported primarily through grants from the State of Delaware and Sussex County, Delaware.

Basis of Accounting

The accompanying financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting different from accounting principles generally accepted in the United States of America. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash receipts and disbursements basis differs from accounting principles generally accepted in the United States of America primarily because the effects of outstanding receivables and obligations unpaid at the date of the financial statements are not included in the financial statement.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Such reclassifications had no effect on the excess of receipts over disbursements.

Subsequent Events

Management has evaluated subsequent events through October 25, 2011, the date the financial statements were available to be issued.

NOTE B - RESTRICTED CASH

The Building Fund, which at June 30, 2011 and 2010 had balances of \$ 114,873 and \$ 253,800, respectively, is restricted for the construction of a new library and related debt payments. It is funded by donations and grants. Other restricted accounts, which at June 30, 2011 and 2010 had balances of \$ 13,404 and \$ 12,691, respectively, are restricted for purchases of specific collection materials.

NOTE C - INCOME TAXES

The Library is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. If the Library were subject to interest and penalties assessed by income taxing authorities, they are included in disbursements on the statements of cash receipts and disbursements. The income tax returns for the years ended June 30, 2008 through 2011 are subject to examination by the IRS, generally for three years after they were filed.

NOTE D - CONCENTRATION OF CREDIT RISK

The Library maintains its cash in bank deposit accounts, which, at times, may exceed the federally insured limits. The Library has not experienced any losses in such accounts. The Library believes it is not exposed to any significant risk on cash and cash equivalents.

NOTE E - LONG-TERM DEBT

The Library secured a construction loan on December 18, 2008 with Wilmington Trust Company, which provides for short-term borrowings of up to \$ 800,000 to complete the new Seaford District Library project. Borrowings on this note are secured by building and land. The loan converted to a permanent loan on June 1, 2010 at the completion of the construction period. Principal and interest, charged at the national commercial rate, which at June 30, 2011 was 4%, are payable in forty-eight consecutive monthly installments of \$ 4,416 calculated on a twenty-five year amortization. A balloon payment of the unpaid principal is due May 15, 2014. The balance outstanding on the note at June 30, 2011 and 2010 was \$ 622,698 and \$ 698,340, respectively.

Future maturities of long-term debt are as follows for the years ending June 30:

2012	\$	28,604
2013		29,770
2014		<u>564,324</u>
TOTAL	\$	<u>622,698</u>

NOTE F - ENDOWMENT FUND

The Library signed an agreement with the Delaware Community Foundation (DCF) in 2008 to establish the Seaford District Library Endowment Fund, funded initially by a \$ 2,000 grant from the Delaware Division of Libraries. The funds are administered and invested by the DCF, a commingled investment fund for the benefit of the Library. DCF maintains separate subaccounts for each library where distributions are subject to certain restrictions and may not begin until the fund achieves a \$ 10,000 threshold. However, in the event of extraordinary circumstances, the balance of the Fund (less the grants from the Delaware Division of Libraries) may be distributed with written approval from the Board of Directors of both the DCF and the Library. The balances designated for Seaford District Library, Inc., totaling \$ 12,141 and \$ 10,021 at June 30, 2011 and 2010, respectively, are not included in the accompanying statement of cash receipts and disbursements.

NOTE G - COMMITMENT

During the year ended June 30, 2011, a subcontractor on the library construction project claimed they were unpaid by the contractor and placed a mechanics lien on the electrical work. A resolution to the claim was reached by the parties to the dispute in May 2011 and the Court dismissed the claim subsequent to year end in September 2011. No liability resulted to the Library.

SUPPLEMENTARY INFORMATION

SEAFORD DISTRICT LIBRARY, INC.
 INSURANCE COVERAGE
 FOR THE YEAR ENDED JUNE 30, 2011 (COMPILED)

Agent	Company	Coverage	Term	Premium
The Insurance Market, Inc.	Utica National Insurance Group	Commercial Package Policy \$ 1,320,310 - Building - Porter St, 80% Co-insurance, \$ 1,000 Deductible \$ 150,000 - Contents - Porter St, 80% Co-insurance, \$ 1,000 Deductible \$ 4,000,000 - Building - Market St, 80% Co-insurance, \$ 1,000 Deductible \$ 2,000,000 - Contents - Market St, 80% Co-insurance, \$ 1,000 Deductible \$ 2,000,000 - General Aggregate Limit, Each Occurrence Limit \$ 2,000,000 - Products - Completed Operations Aggregate \$ 1,000,000 - Personal and Advertising Injury \$ 1,000,000 - Each Occurrence Limit \$ 5,000 - Medical Expense Each Person \$ 100,000 - Damage to Rented Premises Director and Officer Liability \$ 1,000,000 - General Aggregate Limit, Each Occurrence Limit Public Employee Dishonesty \$ 300,000 - Each Loss, \$ 500 Deductible Commercial Auto \$ 1,000,000 - Each Accident Equipment Floater \$ 15,000 - Each Loss, \$ 500 Deductible	07/13/09 - 07/13/10	\$ 7,832

SEAFORD DISTRICT LIBRARY, INC.
 INSURANCE COVERAGE - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2011 (COMPILED)

Agent	Company	Coverage	Term	Premium
The Insurance Market, Inc.	Utica National Insurance Group	Commercial Package Policy \$ 1,320,310 - Building - Porter St, 80% Co-insurance \$ 153,540 - Contents - Porter St, 80% Co-insurance \$ 4,000,000 - Building - Market St, 80% Co-insurance \$ 2,046,000 - Contents - Market St, 80% Co-insurance, \$1,000 Deductible \$ 2,000,000 - General Aggregate Limit, Each Occurrence Limit \$ 2,000,000 - Products - Completed Operations Aggregate \$ 1,000,000 - Personal and Advertising Injury \$ 1,000,000 - Each Occurrence Limit \$ 5,000 - Medical Expense Each Person \$ 100,000 - Damage to Rented Premises Director and Officer Liability \$ 1,000,000 - General Aggregate Limit, Each Occurrence Limit Public Employee Dishonesty \$ 300,000 - Each Loss Commercial Auto \$ 1,000,000 - Each Accident Equipment Floater \$ 15,000 - Each Loss, \$ 500 Deductible	07/13/10 - 07/13/11	\$ 8,589

SEAFORD DISTRICT LIBRARY, INC.
 INSURANCE COVERAGE - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2011 (COMPILED)

<u>Agent</u>	<u>Company</u>	<u>Coverage</u>	<u>Term</u>	<u>Premium</u>
The Insurance Market, Inc.	Utica National Insurance Group	Worker's Compensation \$ 500,000 - Accident Each Accident \$ 500,000 - Disease Each Employee \$ 500,000 - Disease Policy Limit	07/13/09 - 07/13/10	\$ 1,484
The Insurance Market, Inc.	Utica National Insurance Group	Worker's Compensation \$ 100,000 - Accident Each Accident \$ 100,000 - Disease Each Employee \$ 500,000 - Disease Policy Limit	07/13/10 - 07/13/11	1,449
The Insurance Market, Inc.	Utica National Insurance Group	General Liability \$ 100,000 - General Aggregate Limit, Each Occurrence Limit \$ 5,000 - Deductible	07/13/09 - 07/13/10 07/13/10 - 07/13/11	649 649
The Insurance Market, Inc.	Utica National Insurance Group	Umbrella Policy \$ 1,000,000 - General Aggregate Limit, Each Occurrence Limit \$ 1,000,000 - Personal and Advertising Injury	07/13/09 - 07/13/10 07/13/10 - 07/13/11	575 575

See accountant's report.

SEAFORD DISTRICT LIBRARY, INC.
INVESTMENTS
JUNE 30, 2011 (COMPILED)

The Library owns marketable debt and equity securities, which are not included in the statement of cash receipts and disbursements. Investments at June 30, 2011 are as follow:

<u>Broker Holding Investment/Investment Description</u>	<u>Fair Value</u>
Merrill Lynch Mutual Funds	<u>\$ 129,050</u>
Wilmington Brokerage Services Company - Shattuck Trust	
Equity Securities	111,644
Fixed Income Mutual Funds	<u>188,542</u>
Total Wilmington Brokerage Services Company	<u>300,186</u>
TOTAL INVESTMENTS	<u><u>\$ 429,236</u></u>

Note: The Shattuck Trust investments are restricted for children's materials.

BOARD OF COMMISSIONERS

The Commissioners of the Seaford District Library, Inc. at June 30, 2011 are:

President	- Kay Wheatley
Vice-President	- Edith Villasenor
Treasurer	- Carol Sapna
Trustee	- Rose Adams
Trustee	- Amy Russell