

SMITHTOWN SPECIAL LIBRARY DISTRICT

**FINANCIAL REPORT
WITH ADDITIONAL INFORMATION**

DECEMBER 31, 2016

SMITHTOWN SPECIAL LIBRARY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Smithtown Special Library District
148 Smithtown Blvd.
Nesconset, New York 11767

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Smithtown Special Library District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Smithtown Special Library District as of December 31, 2016, 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 Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of library pension contributions and the schedule of funding progress for the retiree health plan on pages 5 through 10 and 36 through 41 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.

Balduessari & Coster, LLP

Certified Public Accountants
Stewart Manor, New York
June 29, 2017

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 four 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:

	<u>December 31,</u> <u>2016</u>	<u>2015**</u>	<u>Increase</u> <u>(Decrease)</u>
Assets:			
Current assets	\$ 4,808,044	\$ 3,829,746	\$ 978,298
Capital assets	<u>22,608,110</u>	<u>23,423,450</u>	<u>(815,340)</u>
Total Assets	<u>27,416,154</u>	<u>27,253,196</u>	<u>162,958</u>
Deferred Outflows of Resources	<u>5,460,489</u>	<u>1,309,327</u>	<u>4,151,162</u>
Liabilities:			
Long-term debt	24,471,222	22,917,457	1,553,765
Other liabilities	<u>537,576</u>	<u>763,083</u>	<u>(225,507)</u>
Total Liabilities	<u>25,008,798</u>	<u>23,680,540</u>	<u>1,328,258</u>
Deferred Inflows of Resources	<u>2,982,379</u>	<u>68,262</u>	<u>2,914,117</u>
Net Position:			
Net investment in capital assets	8,663,110	7,404,382	1,258,728
Restricted	101,381	90,634	10,747
Unrestricted	<u>(3,988,519)</u>	<u>(2,681,295)</u>	<u>(1,307,224)</u>
Total Net Position	<u>\$ 4,775,972</u>	<u>\$ 4,813,721</u>	<u>\$ (37,749)</u>
Revenue:			
Tax revenues	\$ 13,439,819	\$ 13,280,123	\$ 159,696
Payments in lieu of taxes	154,677	146,762	7,915
Other revenue	<u>381,952</u>	<u>184,523</u>	<u>197,429</u>
Total Revenue	<u>13,976,448</u>	<u>13,611,408</u>	<u>365,040</u>
Expenses - Library Services	<u>14,014,197</u>	<u>13,659,314</u>	<u>354,883</u>
Change in net position	<u>(37,749)</u>	<u>(47,906)</u>	<u>10,157</u>
Net position - beginning of year	<u>4,813,721</u>	<u>4,861,627</u>	<u>(47,906)</u>
Net Position - End of Year	<u>\$ 4,775,972</u>	<u>\$ 4,813,721</u>	<u>\$ (37,749)</u>

** Restated- See footnote 13.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The Library As A Whole

- The Library's net position decreased by \$37,749 this year. The most significant reason for this decrease was the recognition of the expenses related to post-employment health insurance costs which are required to be recorded by Governmental Accounting Standards Board Statement No. 45.
- The Library's primary source of revenue is from property taxes, which represents 96.2 percent of total revenue. In the prior year, property taxes represented 97.6 percent of total revenue.
- As is typical of service agencies, salaries and benefits are a significant expense of the Library, representing 76.6 percent of the Library's total expenses (as per the Statement of Activities). This is an increase from the previous year when salaries and benefits represented 74.7 percent of total expenses.

The Library Funds:

Our analyses of the Library's major funds are included in the first four columns of pages 11 and 14 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 Special Revenue Fund, and the Debt Service Fund.

The fund balance of the General Fund increased during the year from \$2,906,853 to \$4,059,593. This is primarily the result of the budgetary highlights described below.

The fund balance of the Special Revenue Fund decreased slightly during the year from \$55,729 to \$53,369.

The fund balance of the Debt Service Fund increased slightly from \$35,819 to \$48,012.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Budgetary Highlights:

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

- The reason for the better than expected results was the favorable variances within the budget lines for refund of prior year expenses, payments in lieu of taxes as well as for State Aid (MTA offset) and grants. The Library budgeted conservatively for these items because they are not guaranteed sources of revenues. In total, the unfavorable budget variance for library revenues was \$243,185. This was less than had been anticipated by the Library during budget preparation when it approved the \$437,860 transfer from prior year fund balance to balance its budget.
- Although there were variances within all of the salaries and wages budget lines, they were all small on a relative basis. In total, the budget section was only underspent by \$458,512 or 6.8%. It is difficult to budget on an individual salary line basis because of staff transitioning in and out of employment with the Library, the changing of staff titles during the year and the use of part-time employees.
- The budget lines for State retirement, hospital and medical insurance, as well as the CSEA benefit fund were all underspent. The Library projected expenditures for these lines based upon wages paid in previous years. As a result of the lower salaries paid (mentioned above), fewer expenditures for benefits were required.
- The unemployment budget line was underspent by \$5,000. Due to uncertain economic times; the Library felt it was prudent to budget for the possibility that claims would be filed. Fortunately, the Library did not receive any claims as of the end of the year.
- In total, the library materials and programs budget section was underspent by \$41,692. The budget lines for books, electronic format, audio/visual and serials were all underspent. The change in spending was primarily driven by the public desire for one product or format over another. The budget line for programs was underspent due to cost cutting measures and the use of in-house talent and printing services.
- The budget line for printing was underspent by \$13,198. As a result of requesting proposals, the Library was able to find a more competitive vendor.
- The budget line for professional fees was underspent due to the consolidation of accounting services.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Budgetary Highlights: (Continued)

- The budget line for fuel and utilities was underspent by \$63,004. The Library attributes this savings to the mild winter.
- The budget line for building and equipment repairs was underspent by \$28,600. The Library attributes this to the minimal snow removal costs it incurred and the fact that they spent less than anticipated to comply with the New York State mandate for installation of carbon monoxide detectors..
- The capital outlay budget section was underspent by \$61,413. As a cost cutting measure, and while the Library applies for a matching NYS Construction Grant, the Library postponed its planned purchase of outdoor lighting and other improvements until 2017.

Capital Assets:

During the fiscal year ending December 31, 2016 the Library recorded purchases of furniture, fixtures and equipment of \$141,742 based on the fund method of accounting. However, for purposes of GASB 34, only \$133,351 of the furniture, fixtures and equipment purchases were in excess of the \$500 capital limit and subject to depreciation.

During the year, the Library discarded obsolete furniture and equipment with an estimated original cost of \$73,367.

Debt Administration:

Long term debt consisted of bonds payable, the obligation for other post-employment benefits, the net pension liability, the NYS retirement incentive payable and the liability the Library has to its employees for unused sick and vacation time (compensated absences). The Library began the year with total long term debt of \$22,917,457. This debt increased during the year by \$1,553,765. The largest component of this increase was related to its net pension liability. Therefore, the total long-term debt at December 31, 2016 was to a total of \$24,471,222.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Currently Known Conditions:

The Library budget vote for the 2017 fiscal year was approved by the taxpayers. The budget will be \$14,303,158. This represents a 1.13% increase over the 2016 fiscal year budget request.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AS OF DECEMBER 31, 2016**

	General Fund	Special Revenue Fund	Debt Service Fund	Total	Adjustments (Note 14)	Statement of Net Position
Assets:						
Cash and cash equivalents	\$ 4,116,792	\$ 77,000	\$	\$ 4,193,792	\$	\$ 4,193,792
Accounts receivable	58,465			58,465		58,465
Internal receivables	5,647		35,819	41,466	(41,466)	
Cash - held by fiscal agent			346,968	346,968		346,968
Prepaid expense	208,819			208,819		208,819
Capital assets, net of accumulated depreciation					22,608,110	22,608,110
Total Assets	4,389,723	77,000	382,787	4,849,510	22,566,644	27,416,154
Deferred Outflows of Resources (note 9)	0	0	0	0	5,460,489	5,460,489
Total Assets and Deferred Outflows of Resources	\$ 4,389,723	\$ 77,000	\$ 382,787	\$ 4,849,510	\$ 28,027,133	\$ 32,876,643
Liabilities:						
Accounts payable	\$ 129,605	\$	\$	\$ 129,605	\$	\$ 129,605
Accrued payroll	55,212			55,212		55,212
Accrued interest payable			334,775	334,775		334,775
Grants received in advance		17,984		17,984		17,984
Internal payables	35,819	5,647		41,466	(41,466)	
Non-current liabilities:						
Compensated absences payable (note 6)					1,386,275	1,386,275
Net pension liability (note 7)					3,592,063	3,592,063
NYS retirement incentive payable (note 7)					557,618	557,618
Obligation for other post-employment benefits (note 8)					4,990,266	4,990,266
Bonds payable (note 10)					13,945,000	13,945,000
Total Liabilities	\$ 220,636	\$ 23,631	\$ 334,775	\$ 579,042	\$ 24,429,756	\$ 25,008,798

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

**SMITHTOWN SPECIAL LIBRARY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AS OF DECEMBER 31, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments (Note 14)</u>	<u>Statement of Net Position</u>
Deferred Inflows of Resources (note 9)	\$ 109,494	\$ 0	\$ 0	\$ 109,494	\$ 2,982,379	\$ 3,091,873
Fund Balances/Net Position:						
Nonspendable	208,819			208,819	(208,819)	
Restricted for specific purposes (note 11)		53,369	48,012	101,381	(101,381)	
Unassigned	3,850,774			3,850,774	(3,850,774)	
Total Fund Balance	<u>4,059,593</u>	<u>53,369</u>	<u>48,012</u>	<u>4,160,974</u>	<u>(4,160,974)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,389,723</u>	<u>\$ 77,000</u>	<u>\$ 382,787</u>	<u>\$ 4,849,510</u>		
Net Position:						
Net investment in capital assets					8,663,110	8,663,110
Restricted for specific purposes					101,381	101,381
Unrestricted					<u>(3,988,519)</u>	<u>(3,988,519)</u>
Total Net Position					<u>\$ 4,775,972</u>	<u>\$ 4,775,972</u>

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

**SMITHTOWN SPECIAL LIBRARY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund	Special Revenue Fund	Debt Service Fund	Total	Adjustments (Note 14)	Statement of Activities
Revenues:						
District taxes	\$ 13,439,819	\$	\$	\$ 13,439,819	\$	\$ 13,439,819
Payments in lieu of taxes	154,677			154,677		154,677
State aid and grants	86,496	58,460		144,956		144,956
Charges for services	100,430			100,430		100,430
Interest	29,668	81	5,083	34,832		34,832
Gifts and donations	0	12,752		12,752		12,752
Other income	88,982			88,982		88,982
Total Revenues	13,900,072	71,293	5,083	13,976,448	0	13,976,448
Expenditures/Expenses For Library Services:						
Salaries and wages	6,237,488			6,237,488	15,191	6,252,679
Employee benefits	3,265,157			3,265,157	1,225,591	4,490,748
Library materials and programs	692,108	2,885		694,993		694,993
Library operations	544,860	8,613	2,051	555,524	5,898	561,422
Building operations	442,013			442,013		442,013
Capital outlay	79,587	62,155		141,742	(133,351)	8,391
Depreciation					942,793	942,793
Debt service:						
Principal			920,000	920,000	(920,000)	
Interest			568,744	568,744	(190,985)	377,759
Cost of issuance			243,399	243,399		243,399
Total Expenditures/Expenses	\$ 11,261,213	\$ 73,653	\$ 1,734,194	\$ 13,069,060	\$ 945,137	\$ 14,014,197

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

**SMITHTOWN SPECIAL LIBRARY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund	Special Revenue Fund	Debt Service Fund	Total	Adjustments (Note 14)	Statement of Activities
Excess (Deficiency) Of Revenues Over Expenditures	\$ 2,638,859	\$ (2,360)	\$ (1,729,111)	\$ 907,388	\$ (945,137)	
Other Financing Sources/(Uses):						
Refunding bonds issued			14,865,000	14,865,000	(14,865,000)	
Issuance premium			2,957,392	2,957,392	(2,957,392)	
Payment to refunded bond escrow agent			(17,567,207)	(17,567,207)	17,567,207	
Transfers- internal activities	(1,486,119)		1,486,119	0	0	
Total Other Financing Sources/(Uses):	(1,486,119)	0	1,741,304	255,185	(255,185)	
Excess (Deficiency) Of Revenues And Other Financing Sources Over Expenditures	1,152,740	(2,360)	12,193	1,162,573	(1,162,573)	
Change In Net Position					(37,749)	(37,749)
Fund balance/net position- beginning of the year	2,906,853	55,729	35,819	2,998,401	1,815,320	4,813,721
Fund Balance/Net Position- End Of The Year	\$ 4,059,593	\$ 53,369	\$ 48,012	\$ 4,160,974	\$ 614,998	\$ 4,775,972

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

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1: Summary of Significant Accounting Policies

The accounting policies of Smithtown Special Library District 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 Smithtown Special Library District is comprised of one main library building located in Smithtown and three local branches located in Commack, Kings Park and Nesconset. The Library coordinates the raising of its real estate tax revenues with the Town of Smithtown. The Library Board of Trustees 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 levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The effect of interfund governmental activity has been eliminated from the government-wide financial statements.

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: net investment in capital assets; restricted net position; and unrestricted net position.

SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 considered to be available if they are collected within sixty days after the end of the fiscal 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.

Special Revenue Fund: This fund is used to account for gifts and donations in which principal and income benefit the Library. Criteria established by the donors govern the use of the funds.

Debt Service Fund: This fund is used to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt.

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 typically loans 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.

SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: **Summary of Significant Accounting Policies (Continued)**

D. **Receivables:** Receivables are shown net of allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such an allowance would not be material.

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 government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

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 Position:** When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Library's policy is to apply restricted net position first.

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

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1: Summary of Significant Accounting Policies (Continued)

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, 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 books and materials are not capitalized. All capital assets, except land and the art collection, are depreciated on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20 to 40 years
Land improvements	15 to 20 years
Furniture and equipment	5 to 15 years

I. 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.

NOTE 2: Concentration of Credit Risk

The Library maintains its cash balances at one bank. At year end, the Library's carrying amount of deposits (excluding the cash held by the fiscal agent and petty cash) was \$4,192,619 and the bank balance was \$4,352,246. Of the bank balance, \$261,310 was covered by federal depository insurance, and the remaining \$4,090,916 was covered by collateral held by the Library's agent.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3: Interfund Transactions

Interfund balances and activities at December 31, 2016 are as follows:

	Interfund Activity			
	<u>Receivable</u>	<u>Payable</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 5,647	\$ 35,819	\$ 233,593	\$ 1,719,712
Special Revenue Fund		5,647		
Debt Service Fund	35,819		1,719,712	233,593
Total	<u>\$ 41,466</u>	<u>\$ 41,466</u>	<u>\$ 1,953,305</u>	<u>\$ 1,953,305</u>

The Library typically transfers monies from the General Fund to the Debt Service Fund so that it has the amount required to pay its current year installments on its bonds payable.

NOTE 4: Capital Assets

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

	<u>Balance as of 1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of 12/31/2016</u>
Assets not being depreciated:				
Land	\$ 1,408,073	\$ 0	\$ 0	\$ 1,408,073
Art Collection	178,000	0	0	178,000
Other capital assets:				
Buildings and improvements	24,990,894	0	0	24,990,894
Land improvements	445,501	0	0	445,501
Fixtures	850,776	0	0	850,776
Furniture and equipment	1,262,438	133,351	(73,367)	1,322,422
Total	29,135,682	133,351	(73,367)	29,195,666
Accumulated depreciation	(5,712,232)	(942,793)	67,469	(6,587,556)
Net Book Value	<u>\$ 23,423,450</u>	<u>\$ (809,442)</u>	<u>\$ (5,898)</u>	<u>\$ 22,608,110</u>

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5: Long Term Debt

The following is a summary of changes in long-term debt for the period ended December 31, 2016:

	<u>Balance</u> <u>1/1/2016</u>	<u>Increases</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Non-current liabilities</u>	
					<u>Due within</u> <u>one year</u>	<u>Due after</u> <u>one year</u>
Compensated absences	\$ 1,369,922	\$ 16,353	\$ 0	\$ 1,386,275	\$ 0	\$ 1,386,27
Other post-employment benefits payable	4,181,979	808,287	0	4,990,266	0	4,990,26
Net pension liability	725,674	2,866,389	0	3,592,063	0	3,592,06
NYS retirement incentive payable	620,814	0	63,196	557,618	0	557,61
Unamortized bond premium	194,068		194,068	0		
General obligation bonds	15,825,000	0	15,825,000	0	0	
General obligation bonds	0	14,865,000	920,000	13,945,000	880,000	13,065,00
	<u>\$ 22,917,457</u>	<u>\$ 18,556,029</u>	<u>\$ 17,002,264</u>	<u>\$ 24,471,222</u>	<u>\$ 880,000</u>	<u>\$ 23,591,22</u>

NOTE 6: Compensated Absences Payable

The Library has an accumulated liability as of December 31, 2016 for unused vacation and sick pay amounting to \$1,386,275. This is an increase of \$16,353 from the December 31, 2015 balance of \$1,369,922. No portion of this liability is expected to be paid within one year.

NOTE 7: Retirement Plan

- A. Plan Description and Benefits Provided:** The Smithtown Special Library District participates in the New York State and Local Employees' Retirement System (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2016.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7: Retirement Plan (Continued)

- A. **Plan Description and Benefits Provided: (Continued)** System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Smithtown Special Library District also participates in the Public Employees' Group Term Life Insurance plan (GTLI), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.
- B. **Contributions:** The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required. The required contribution, including adjustments and incentive payments for the current fiscal year was \$938,458, for the 2015 fiscal year it was \$1,080,989 and for the 2014 fiscal year it was 880,269.

Chapter 57 of the laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7: Retirement Plan (Continued)

- B. Contributions: (Continued)** Once a public employer elects to participate in the System, the election is irrevocable. This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program.

During the year ended December 31, 2013, the Library opted to participate in this program. In the current year \$31,878 was charged to expenditures in the governmental funds. The unpaid liability at December 31, 2016 is \$193,509, plus interest at 3.7% and is reported as a non-current liability in the government wide statements.

During the year ended December 31, 2014, the Library also opted to participate in this program. In the current year \$52,366 was charged to expenditures in the governmental funds. The unpaid liability at December 31, 2016 is \$364,109, plus interest at 3.15% and is reported as a non-current liability in the government wide statements.

- C. Pension Liabilities, Pension Expenses, Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions:** At December 31, 2016, the Smithtown Special Library District reported a liability of \$3,592,063 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Smithtown Special Library District's proportion of the net pension liability was based on a projection of the Smithtown Special Library District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2016, the Smithtown Special Library District's proportion was 0.0223801 percent which was an increase of .0008993 percent from its proportion measured at December 31, 2015.

For the year ended December 31, 2016, the Smithtown Special Library District recognized pension expense of \$1,417,796. At December 31, 2016, the Smithtown Special Library District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7: Retirement Plan (Continued)

C. Pension Liabilities, Pension Expenses, Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions: (Continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 18,152	\$ 425,779
Changes in assumptions	957,895	0
Net difference between projected and actual investment earnings on pension plan investments	2,131,009	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	160,541	0
Library's contributions subsequent to the measurement date	854,560	0
Total	\$ 4,122,157	\$ 425,779

\$854,560 reported as deferred outflows of resources related to pensions resulting from Smithtown Special Library District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount Recognized</u>
2017	\$ 730,685
2018	730,685
2019	730,685
2020	649,763
2021	0
Total	\$ 2,841,818

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7: Retirement Plan (Continued)

- D. Actuarial Assumptions:** The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016.

Significant actuarial assumptions used in the April 1, 2015 valuation were as follows:

Interest Rate	7.00%
Salary Scale	3.80%
Inflation Rate	2.50%
Cost of Living Adjustments	1.30%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2015 are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7: Retirement Plan (Continued)

- D. Actuarial Assumptions: (Continued)** Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below.

Long Term Expected Rate of Return 2016

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-Indexed bonds	2.00%	4.00%
	100.00%	

Discount Rate – The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7: Retirement Plan (Continued)

D. Actuarial Assumptions: (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption – The following presents the Smithtown Special Library District’s proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Smithtown Special Library District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Library's proportionate share of the net pension liability	\$ 8,099,841	\$ 3,592,063	\$ (2,168,147)

Pension plan fiduciary net position – The components of the current year net pension liability of the New York State and Local Retirement System as of March 31, 2016, in thousands of dollars was as follows:

	Total
Employers' total pension liability	\$ 172,303,544
Plan net position	(156,253,265)
Employers' net pension liability	\$ <u>16,050,279</u>
Ratio of plan net position to the Employers' total pension liability	90.7%

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 8: Post-employment Benefits Other Than Pensions

- A. **Plan Description:** The New York State Department of Civil Service (DCS) administers the New York Health Insurance Program (NYSHIP) which provides health insurance to current and retired employees of New York State, and participating public authorities and local governmental units, such as the Smithtown Special Library District. NYSHIP offers comprehensive hospital, medical and prescription drug benefits. As administrator of NYSHIP, the DCS performs all administrative tasks and has the authority to establish and amend the benefit provisions offered. Annual benefit premiums charged to and paid by participating local governmental entities are generally the same, regardless of each individual employer's risk profile. The annual benefit premiums collected by DCS are then remitted to the health insurance carriers that comprise NYSHIP. NYSHIP is considered an agent multiple-employer defined benefit plan, it is not a separate entity or trust, and does not issue stand-alone financial statements. In 2016, The Library entered into an agreement with Hartford Insurance Company as an additional provider of retiree health insurance. The Library, as a participant in both plans, recognizes these postemployment benefits on an accrual basis.
- B. **Funding Policy:** Contribution requirements are determined by the Library Board. Currently, providing that the employee has retired on or after January 1, 2002 and has ten years of full time service with the Library, of which five years of the full time service were immediately prior to retirement into the NYS Retirement System, the Library will pay 100% of the cost for retirees and spouses contribute \$100 per month.

For 2016, The Library recognized the cost of providing retiree health insurance by recording its share of insurance premiums of \$741,012 as an expenditure in the General Fund. Smithtown Special Library District also reimbursed retired employees and their spouses the full cost of Medicare deducted from their Social Security benefits, which amounted to \$60,492. The retiree's share of premiums for health insurance was \$18,521.

The calculation of the liability was based upon the 2015 annual medical premiums (identified below) and adjusted by the applicable assumptions identified in section E:

	<u>Individual</u>	<u>Family</u>	<u>With Two Medicare Participants</u>	<u>With One Medicare Participant</u>
Empire	\$ 9,661	\$ 21,706		
Empire Medicare	\$ 4,822		\$ 12,030	\$ 16,868

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 8: Post-employment Benefits Other Than Pensions (Continued)

C. **Annual OPEB Cost and Net OPEB Obligation:** The Library's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the "annual required contribution of the employer (ARC). The Library has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 total plan members. 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 actuarial 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 to the Retiree Health Plan:

Annual required contribution & OPEB cost	\$	1,852,099
Interest on net OPEB obligation		167,279
Adjustment to annual required contribution		<u>(208,539)</u>
Annual OPEB cost (expense)		1,810,839
Contributions made		<u>(1,002,552)</u>
Increase in net OPEB obligation		808,287
Net OPEB obligation - beginning of year		<u>4,181,979</u>
Net OPEB obligation - end of year	\$	<u><u>4,990,266</u></u>

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015 and 2016 are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	<u>Covered Payroll</u>	<u>OPEB Cost % Of Pay</u>
2014	\$ 1,481,407	60.3%	\$ 3,405,863	\$ 4,326,889	34.2%
2015	\$ 1,744,829	55.5%	\$ 4,181,979	\$ 3,781,103	46.1%
2016	\$ 1,810,839	55.4%	\$ 4,990,266	\$ 3,875,631	46.7%

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 8: Post-employment Benefits Other Than Pensions (Continued)

- D. Funded Status and Funded Progress:** As of December 31, 2015, the actuarial accrued liability for benefits based upon the valuation date of January 1, 2015, was \$22,446,154, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,781,103, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 593.6 percent.

The projection of future benefit payments for an ongoing plan involves 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, will present multi-year trend information as time passes about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

- E. Methods and Assumptions:** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) 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 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. The following simplifying assumptions were made:

Funding interest rate – An interest rate of 4.0% was used.

Mortality – Life expectancies were based on the RP2014 combined table with sex distinct rates and with generational mortality improvements projected using the MP-2014 table projection rates.

Participation rate – It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

Participant salary increases – 3.5% annually.

Payroll growth rate – 2.5% annually.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 8: Post-employment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions: (Continued)

Retirement rates:

<u>Age</u>	<u>Rate</u>
55-59	3.0%
60-64	9.0%
65-69	12.0%
70-79	20.0%
80+	100.0%

Termination rates – The following rates from Table 1, paragraph 35 of Government Accounting Standard no. 45 were used.

<u>Age</u>	<u>Rate</u>
20	7.79%
25	6.78%
30	4.66%
35	3.19%
40	2.21%
45	1.59%
50+	0.00%

Healthcare cost trend rates – It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Pre-65 Rates</u>	<u>Post-65 Rates</u>
2015	9.0%	5.0%
2016	8.0%	5.0%
2017	7.0%	5.0%
2018	6.0%	5.0%
2019	5.0%	5.0%

Administrative expenses: \$25.37 per enrollee per year

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 8: Post-employment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions: (Continued)

Percent married – It was assumed that 65% of the male and 25% of the female employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

Actuarial value of assets – N/A

Per capita claims cost – Are based on the premium levels of the plan provisions in section B. The premiums paid by the Library are independent of the Library's experience and demographic profile, and are expected to change consistent with a community rated plan. Thus, we have applied the premiums with no additional adjustments other than future trend increases.

Actuarial Cost Method – An actuarial cost method develops an orderly allocation of the actuarial present value of benefit payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

The Entry Age Normal Cost Method is used in this valuation. Under this method, the Actuarial Present value of Projected Benefits of each individual is allocated on a level basis over the earnings of the individual between hire age and assumed exit age(s). The portion of the Actuarial Present Value allocated to the valuation year is called the Normal Cost. The portion of the Actuarial Present Value not provided for as of the valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The amortization of the unfunded actuarial accrued liability has been determined as a level percentage of the projected payroll of active plan members. At each valuation, a new amortization base is created equal to the excess of the unfunded actuarial accrued liability over the remaining balances of prior amortization bases. The new base is amortized over 30 years. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 9: Deferred Outflows/Inflows of Resources

<u>Description of Deferrred Outflows/Inflows</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Related to Pension (see note 7)	\$ 4,122,157	\$ 425,779
Refunding of serial bonds	<u>1,338,332</u>	<u>2,556,600</u>
Total	<u>\$ 5,460,489</u>	<u>\$ 2,982,379</u>

NOTE 10: Bonds Payable

During the 2016 fiscal year, the Smithtown Special District Library issued \$14,865,000 in refunding serial bonds with interest rates ranging from 3.0% to 5.0%, depending on maturity. The proceeds were used to advance refund \$15,825,000 of outstanding 2008 serial bonds bearing interest rates at a rate ranging from 4.0% to 6.0%. The net proceeds of \$17,567,207 (including \$2,957,392 of issuance premium and after \$96,700 in underwriter's fees and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the bonds. As a result, the 2008 serial bonds are considered defeased and the liability for those serial bonds has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$ 255,185 in the governmental activities. These amounts and the premium are being amortized over the remaining life of the refunded debt. The Smithtown Special District Library advanced refunded the serial bonds to reduce its total debt service payments over 12 years by \$2,401,284 and to obtain a net present value economic gain of \$2,164,150. As of December 31, 2016 \$13,945,000 remained payable. Future payments are due each year as follows:

<u>Year Ended December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2017	\$ 880,000	\$ 669,550	\$ 1,549,550
2018	925,000	634,350	1,559,350
2019	965,000	597,350	1,562,350
2020	1,000,000	558,750	1,558,750
2021	1,055,000	508,750	1,563,750
2022-2026	6,170,000	1,694,750	7,864,750
2027-2028	<u>2,950,000</u>	<u>223,250</u>	<u>3,173,250</u>
Total	<u>\$ 13,945,000</u>	<u>\$ 4,886,750</u>	<u>\$ 18,831,750</u>

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 11: Funds Restricted For Specific Purposes

The components of the fund balance restricted for specific purposes as December 31, 2016 are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Funds Restricted For:				
Summer Reading Club	\$ 0	\$ 1,200	\$ 0	\$ 1,200
Other programs and projects	0	52,169	0	52,169
Debt service	0	0	48,012	48,012
Total	<u>\$ 0</u>	<u>\$ 53,369</u>	<u>\$ 48,012</u>	<u>\$ 101,381</u>

NOTE 12: Commitments

The Library currently leases two copiers under non-cancelable operating leases. For the fiscal year ending December 31, 2016 the Library made lease payments of \$2,705. The future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Lease Commitment</u>
2017	\$ 2,379
2018	<u>0</u>
Total	<u>\$ 2,379</u>

NOTE 13: Restatement of Prior Year Fund Balance and Net Position:

The Library restated its opening fund balance to reflect the prepaid retirement contribution made for the year ending December 31, 2015. As a result, both prepaid expenses and the fund balance within the General Fund increased by \$259,132.

	<u>As Reported 12/31/2015</u>	<u>As Restated 12/31/2015</u>	<u>Increase (Decrease)</u>
Prepaid Retirement	\$ 0	\$ 259,132	\$ 259,132
Fund Balance/Net Position	<u>\$ 4,554,589</u>	<u>\$ 4,813,721</u>	<u>\$ 259,132</u>

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 14: 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	\$ 4,160,974
Amounts reported in the statement of net position are different because:	
• Capital assets are not financial resources, and are not reported in the funds	22,608,110
• Deferred outflow on pension is not reported in the funds	4,122,157
• Deferred outflow on refunding of bonds	1,338,332
• Compensated absences, not anticipated to be paid within the next twelve months, are not included in the funds	(1,386,275)
• Obligation for post-employment health insurance, to be paid in future periods is not reported in the funds	(4,990,266)
• Net pension liability is not included in the funds	(3,592,063)
• Liability for future installments due on the NYS retirement incentive are not included in the funds	(557,618)
• Deferred inflow on pension is not reported in the funds.	(425,779)
• Deferred inflow on refunding of bonds is not reported in the funds	(2,556,600)
• Bonds payable in future periods are not reported in the funds	<u>(13,945,000)</u>
Total Net Position- Full Accrual Basis	<u>\$ 4,775,972</u>

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 14: Reconciliation of Fund Financial Statements to Government-Wide Financial Statements (Continued)

Net Change in Fund Balance- Modified Accrual Basis	\$ 1,162,573																		
Amounts reported in the statement of activities are different because:																			
<ul style="list-style-type: none"> • 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: <table style="margin-left: 20px; width: 80%;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="text-align: right;">133,351</td> </tr> <tr> <td>Depreciation expense</td> <td style="text-align: right;">(942,793)</td> </tr> </table> • Loss on disposal of capital assets (5,898) • (Increase)/decrease in the accruals for items reported as expenditures in the statements of activities, not in the fund statements: <table style="margin-left: 20px; width: 80%;"> <tr> <td style="width: 80%;">Compensated absences</td> <td style="text-align: right;">(16,352)</td> </tr> <tr> <td>Post-employment health costs</td> <td style="text-align: right;">(808,287)</td> </tr> <tr> <td>Net pension expenses</td> <td style="text-align: right;">(479,339)</td> </tr> <tr> <td>Bond interest accrual is not an expense in the funds</td> <td style="text-align: right;">190,985</td> </tr> </table> • The following items are financing sources under the fund method of accounting. However, they are either a liability or a deferred outflow/(inflow) on the statement of net position <table style="margin-left: 20px; width: 80%;"> <tr> <td style="width: 80%;">Refunding bonds issued</td> <td style="text-align: right;">(14,865,000)</td> </tr> <tr> <td>Issuance premium</td> <td style="text-align: right;">(2,957,392)</td> </tr> <tr> <td>Payment to refunded bond escrow agent</td> <td style="text-align: right;">17,567,207</td> </tr> </table> • Payments on the NYS retirement incentive is not an expense in the statement of activities, rather it is a reduction of the liability 63,196 • Repayment of principal on the bonds is not an expense in the statement of activities, rather it is a reduction of the liability <u>920,000</u> 	Capital outlay	133,351	Depreciation expense	(942,793)	Compensated absences	(16,352)	Post-employment health costs	(808,287)	Net pension expenses	(479,339)	Bond interest accrual is not an expense in the funds	190,985	Refunding bonds issued	(14,865,000)	Issuance premium	(2,957,392)	Payment to refunded bond escrow agent	17,567,207	
Capital outlay	133,351																		
Depreciation expense	(942,793)																		
Compensated absences	(16,352)																		
Post-employment health costs	(808,287)																		
Net pension expenses	(479,339)																		
Bond interest accrual is not an expense in the funds	190,985																		
Refunding bonds issued	(14,865,000)																		
Issuance premium	(2,957,392)																		
Payment to refunded bond escrow agent	17,567,207																		
Change In Net Position- Full Accrual Basis	<u>\$ (37,749)</u>																		

**SMITHTOWN SPECIAL LIBRARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Balances</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
District taxes	\$ 13,439,672	\$ 13,439,672	\$ 13,439,819	\$ 147
Payments in lieu of taxes	110,000	110,000	154,677	44,677
State aid and grants	30,000	30,000	86,496	56,496
Library charges	75,000	75,000	59,582	(15,418)
E-commerce fines	12,000	12,000	15,714	3,714
Patron print fees	9,000	9,000	12,194	3,194
Patron computer fees	400	400	367	(33)
Other library fees	2,500	2,500	2,771	271
Lost and paid	7,000	7,000	7,464	464
Commissions	2,000	2,000	2,338	338
Interest income	17,000	17,000	29,668	12,668
Gifts and donations	500	500	0	(500)
Refund of prior year expense	300	300	88,779	88,479
Miscellaneous	25	25	203	178
Total Revenues	<u>13,705,397</u>	<u>13,705,397</u>	<u>13,900,072</u>	<u>194,675</u>
Other Financing Sources:				
Transfer from Capital Projects Fund	0	0	0	0
Transfer from unappropriated fund balance	437,860	437,860	0	(437,860)
Total Other Financing Sources	<u>437,860</u>	<u>437,860</u>	<u>0</u>	<u>(437,860)</u>
Total Revenues and Other Financing Sources	<u>\$ 14,143,257</u>	<u>\$ 14,143,257</u>	<u>\$ 13,900,072</u>	<u>\$ (243,185)</u>
Expenditures:				
Salaries and Wages:				
Librarians, full-time	\$ 2,985,000	\$ 2,925,000	\$ 2,679,677	\$ 245,323
Librarians, part-time	520,000	580,000	578,510	1,490
Clerical staff, full-time	1,690,000	1,690,000	1,598,383	91,617
Clerical staff, part-time	665,000	665,000	643,009	21,991
Pages	230,000	230,000	214,373	15,627
Custodial staff, full-time	300,000	300,000	260,588	39,412
Custodial staff, part-time	196,000	196,000	155,240	40,760
Sunday salaries	110,000	110,000	107,708	2,292
Total Salaries and Wages	<u>\$ 6,696,000</u>	<u>\$ 6,696,000</u>	<u>\$ 6,237,488</u>	<u>\$ 458,512</u>

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

BALDESSARI & COSTER LLP

**SMITHTOWN SPECIAL LIBRARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Balances</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures: (Continued)				
Employee Benefits:				
State retirement	\$ 1,200,000	\$ 1,200,000	\$ 989,671	\$ 210,329
Social Security	512,245	512,245	458,907	53,338
Hospital & medical insurance	1,750,000	1,750,000	1,628,445	121,555
CSEA benefit fund	130,000	130,000	118,624	11,376
Workers' compensation insurance	90,000	90,000	64,680	25,320
Unemployment insurance	5,000	5,000	0	5,000
Employee Assistance Program	5,500	5,500	4,830	670
Total Employee Benefits	<u>3,692,745</u>	<u>3,692,745</u>	<u>3,265,157</u>	<u>427,588</u>
Library Materials and Programs:				
Books	250,500	229,500	224,491	5,009
Electronic format	200,000	200,000	190,452	9,548
Audio/visual	120,000	120,000	101,774	18,226
Periodicals	39,300	54,300	54,044	256
Serials	59,000	64,000	63,668	332
Lost and paid	0	1,000	990	10
Non-book materials	500	500	0	500
Binding	500	500	0	500
Programs	64,000	64,000	56,689	7,311
Total Library Materials and Programs	<u>733,800</u>	<u>733,800</u>	<u>692,108</u>	<u>41,692</u>
Library Operations:				
Office and library supplies	90,000	88,000	80,730	7,270
Telecommunications	110,000	113,000	112,974	26
Shared network maintenance	81,000	81,000	77,725	3,275
Printing	35,000	35,000	21,802	13,198
SCLS member support	175,000	175,000	154,225	20,775
Postage	15,000	15,000	12,981	2,019
Travel and conference	8,500	8,500	6,117	2,383
Membership dues	3,000	3,100	3,055	45
Staff development	5,000	4,900	3,101	1,799
Maintenance of vehicles	4,000	4,000	2,516	1,484
Professional fees	85,000	85,000	68,544	16,456
Miscellaneous	0	2,000	1,090	910
Total Library Operations	<u>\$ 611,500</u>	<u>\$ 614,500</u>	<u>\$ 544,860</u>	<u>\$ 69,640</u>

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

BALDESSARI & COSTER LLP

**SMITHTOWN SPECIAL LIBRARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Balances</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures: (Continued)				
Building Operations:				
Fuel and utilities	\$ 250,000	\$ 250,000	\$ 186,996	\$ 63,004
Insurance	94,500	94,500	88,372	6,128
Building and equipment repairs	185,000	182,000	153,400	28,600
Custodial supplies	19,000	19,000	13,245	5,755
Total Building Operations	<u>548,500</u>	<u>545,500</u>	<u>442,013</u>	<u>103,487</u>
Capital Outlay:				
Computer equipment	55,000	60,000	58,133	1,867
Building equipment	66,000	61,000	20,606	40,394
Other capital outlay	20,000	20,000	848	19,152
Total Capital Outlay	<u>141,000</u>	<u>141,000</u>	<u>79,587</u>	<u>61,413</u>
Total Expenditures	<u>12,423,545</u>	<u>12,423,545</u>	<u>11,261,213</u>	<u>1,162,332</u>
Other Financing Uses:				
Transfer to Debt Service fund	<u>1,719,712</u>	<u>1,719,712</u>	<u>1,486,119</u>	<u>(233,593)</u>
Total Expenditures and Other Financing Uses	<u>14,143,257</u>	<u>14,143,257</u>	<u>12,747,332</u>	<u>1,395,925</u>
Excess Of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	0	0	1,152,740	1,152,740
Budgetary fund balance- beginning of year	<u>2,906,853</u>	<u>2,906,853</u>	<u>2,906,853</u>	<u>2,906,853</u>
Budgetary Fund Balance- End Of Year	<u>\$ 2,906,853</u>	<u>\$ 2,906,853</u>	<u>\$ 4,059,593</u>	<u>\$ 4,059,593</u>

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

**SMITHTOWN SPECIAL LIBRARY DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NYSLRS PENSION PLAN
FOR THE 2016 FISCAL YEAR****

	<u>2016</u>	<u>2015</u>
Library's proportion of the net pension liability (asset)	0.02238%	0.02148%
Library's proportionate share of the net pension liability (asset)	\$ 3,592,063	\$ 725,674
Library's covered-employee payroll	\$ 5,559,012	\$ 5,809,803
Library's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	64.61693%	12.49051%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.95%

** The amounts presented for the fiscal year were determined as of the March 31st that occurred within the fiscal year

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

BALDESSARI & COSTER LLP

**SMITHTOWN SPECIAL LIBRARY DISTRICT
SCHEDULE OF LIBRARY PENSION CONTRIBUTIONS
NYSLRS PENSION PLAN
FOR THE 2016 FISCAL YEAR**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 938,458	\$ 1,080,989
Contributions in relation to the contractually required contribution	<u>938,458</u>	<u>1,080,989</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
 Library's covered-employee payroll	 \$ 5,559,012	 \$ 5,809,803
Contributions as a percentage of covered-employee payroll	16.88%	18.61%

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

BALDESSARI & COSTER LLP

**SMITHTOWN SPECIAL LIBRARY DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE RETIREE HEALTH PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (d)	UAAL as a percentage of Covered Payroll ((b - a) / d)
1/1/2009	\$ 0	\$ 15,594,573	\$ 15,594,573	0.0%	\$ 3,551,060	439.2%
1/1/2012	\$ 0	\$ 17,517,446	\$ 17,517,446	0.0%	\$ 4,160,470	421.0%
1/1/2015	\$ 0	\$ 22,446,154	\$ 22,446,154	0.0%	\$ 3,781,103	593.6%

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

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