PORT JEFFERSON FREE LIBRARY

FINANCIAL REPORT
WITH ADDITIONAL INFORMATION

JUNE 30, 2014

BALDESSARI & COSTER LLP

PORT JEFFERSON FREE LIBRARY

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-9
Basic Financial Statements	
Statement of Net Position and Governmental Fund Balance Sheet	10
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	11
Notes to Financial Statements	12-25
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	26-28
Schedule of Funding Progress for the Retiree Health Plan	29

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Port Jefferson Free Library
100 Thompson Street
Port Jefferson, New York 11777

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Port Jefferson Free Library as of and for the year ended June 30, 2014, 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 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 Port Jefferson Free Library, as of June 30, 2014, 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.

BALDESSARI & COSTER LLP

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 through 9 and 26 through 29 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.

Baldessari & Coster LLP

Certified Public Accountants
Stewart Manor, New York
September 4, 2014

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 three columns of these financial statements include information on the Library's 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.

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:

	June 30, 2014	June 30, 2013	Increase (Decrease)
Current assets	$ 4,856	$ 4,461	$ 395
Capital assets	1,546	1,605	(59)
Total Assets	6,402	6,066	336
Long-term debt	1,192	1,068	124
Other liabilities	220	252	(32)
Total Liabilities	1,412	1,320	92
Net Position:			
Net investment in capital assets	1,546	1,605	(59)
Restricted	4	3	1
Unrestricted	3,440	3,138	302
Total Net Position	$ 4,990	$ 4,746	$ 244
Revenue:			
District taxes	$ 2,909	$ 2,849	$ 60
Contract services	1,185	1,090	95
Other revenue	186	175	11
Total Revenue	4,280	4,114	166
Expenses - Library Services	4,036	4,151	(115)
Change in net position	244	(37)	281
Net Position - beginning of year	4,746	4,783	(37)
Net position - End of Year	$ 4,990	$ 4,746	$ 244

The Library As A Whole

- The Library's net position increased by $244,375 this year. This was due to the combination of higher revenues and lower expenditures than anticipated, offset by the required GASB 34 adjustments identified in Note 11.

- The Library's primary source of revenue is contract services (non-resident fees) and property taxes. Revenue from contract services represented 28 percent of total revenue, and property taxes represented 68 percent of total revenue. In the prior year these revenue items represented 26 percent and 69 percent of total revenue respectively.

- As is typical of service agencies, salaries and benefits are a significant expense of the Library, representing 76 percent of the Library's total expenses. These expenses totaled $3,074,684 for the year ending June 30, 2014 versus $3,207,869 for the year ending June 30, 2013.

The Library Funds:

Our analyses of the Library's funds are included in the first three columns of pages 10 and 11 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. Currently, the Library's funds consist of the General Fund and the Capital Fund.

The fund balance of the General Fund increased during the year from $3,912,603 to $4,340,450. This is primarily the result of the budgetary highlights described below. The fund balance of the Capital Fund remained the same as in the prior year at $296,674.

Budgetary Highlights:

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

- In total, there was a $201,989 favorable budget variance for operating revenue. The majority of this variance was primarily due to the fact that each year the library contracts with the Miller Place and Mt. Sinai Districts to provide services to patrons of those districts who wish to enroll at the Library. The Library budgeted for contract revenue at amounts similar to those of the prior year. However, due to increases over the past few years in the patron base, $189,630 more in contract revenue was received than had been anticipated.

Budgetary Highlights: (Continued)

- The salaries and wages budget section was under spent by $113,354. The primary reason was that the Library had realized a cost savings when staff separated from service. Cost savings are realized when 1) there is a lapse between the time one employee leaves and the new employee is hired, and 2) the new employee is paid less than the former. For example, a full-time custodian retired and was replaced with two entry level part-time custodians.

- The employee benefit section was under spent as a direct result of the lower salaries and wages mentioned above.

- The books and audio visuals budget lines were under spent by $24,808 and 16,382 respectively. The books budget line was under spent because of decreased demand. The number of patrons that prefer their materials in an electronic format is growing, so many of the items that were purchased were in an online or computerized format and were not duplicated in the print format. The same is true for audio visual materials. More patrons have been streaming movies or renting them from their cable providers, so the Library has slowed its purchases of DVD's and CD's.

- The periodicals / print and non-print budget line was under spent by $35,513. A portion of this variance was due to the timing of payments as several subscriptions were paid in the prior fiscal year. However a large portion of this variance was also due to the fact that unpopular magazines were weeded out and subscriptions were not renewed. This was attributed to the growth of materials in an electronic format as opposed to the demand for the physical copy.

- The unfavorable variance in the library and office supplies budget line was due to the purchase of a large amount of ice-melt required by the above average snowfall. Since there was a shortage of ice-melt the Library was forced to purchase smaller quantities at a higher cost from local merchants. In addition, the Library gave more attention to the building and purchased small items for maintenance that were posted to the supply budget line as opposed to the building maintenance and repair budget line.

- The budget line for publicity and printing was under spent because the Library is doing more in-house printing as opposed to sending items out to a printer. This has kept costs down.

- The budget line for professional fees and dues was under spent by $10,783. Anticipated legal fees required for Union contract negotiations and additional services provided by Ivy Consulting for future library planning did not materialize.

- The budget line for utilities was over spent by $11,042. The Library attributes this to the colder than usual winter which led to much higher heating bills

Budgetary Highlights: (Continued)

- The budget line for building and grounds repair / improvement was under spent. The Library attributes this variance to the fact that less repairs were required than had been anticipated. In addition, when repairs were required, some of them were done by library staff. Overall, this appears to have created substantial savings.

- As a result of the savings created in the repair line referred to above, many of the supplies and materials that the staff used for the in-house repairs were posted to the budget line for building maintenance. Accordingly, that budget line was over spent by $6,029.

- The capital outlay budget section was under spent because anticipated purchases were put on hold until a determination is made regarding the future plans of the Library and the property located at 114 Thompson Street.

Capital Assets and Debt Administration:

During the fiscal year ending June 30, 2014 the Library purchased $19,119 of fixed assets (capital outlay). The purchases were for a variety of items such as computer equipment, furniture, carpeting, etc. During the year, the Library also discarded broken or obsolete equipment that had an original cost of $7,001.

The only long term debt that the Library has is to its employees for compensated absences and its obligation for other post-employment benefits. The liability for compensated absences at June 30, 2014 was $117,149. This represents a decrease of $32,243 from the previous year. The obligation for other post-employment benefits at June 30, 2014 was $1,075,226. This represents an increase of $156,138 from the previous year.

Currently Known Conditions:

The Library budget vote for the 2014-2015 fiscal year was approved by the taxpayers. The anticipated tax revenues will be $2,948,632. This represents a 1.38% increase over the 2013-2014 fiscal year budget.

PORT JEFFERSON FREE LIBRARY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2014

	General Fund	Capital Fund	Total	Adjustments (Note 11)	Statement of Net Position
Assets:					
Cash and cash equivalents					
Checking	$ 449,627	$ 296,663	$ 746,290	$	$ 746,290
Money market and savings	4,060,839		4,060,839		4,060,839
Petty cash	300		300		300
Total cash and cash equivalents	4,510,766	296,663	4,807,429	0	4,807,429
Prepaid expenses	44,930		44,930		44,930
Internal receivables		11	11	(11)	
Other assets	3,940		3,940		3,940
Capital assets, net of depreciation				1,545,837	1,545,837
Total Assets	$ 4,559,636	$ 296,674	$ 4,856,310	$ 1,545,826	$ 6,402,136
Liabilities:					
Accounts payable	$ 39,441	$	$ 39,441	$	$ 39,441
Accrued retirement	88,076		88,076		88,076
Accrued payroll and taxes payable	91,658		91,658		91,658
Internal payables	11		11	(11)	
Non-current liabilities:					
Compensated absences payable				117,149	117,149
Obligation for other post-employment benefits				1,075,226	1,075,226
Total Liabilities	219,186	0	219,186	1,192,364	1,411,550
Fund Balances/Net Position:					
Nonspendable (prepaid expenses)	44,930		44,930	(44,930)	
Restricted for permanent endowment	1,000		1,000	(1,000)	
Restricted for vision impaired materials	2,732		2,732	(2,732)	
Committed for specific purposes	2,645,707		2,645,707	(2,645,707)	
Assigned for capital projects		296,674	296,674	(296,674)	
Unassigned	1,646,081		1,646,081	(1,646,081)	
Total Fund Balance	4,340,450	296,674	4,637,124	(4,637,124)	
Total Liabilities And Fund Balances	$ 4,559,636	$ 296,674	$ 4,856,310		
Net Position:					
Net investment in capital assets				1,545,837	1,545,837
Restricted for permanent endowment				1,000	1,000
Restricted for vision impaired materials				2,732	2,732
Unrestricted				3,441,017	3,441,017
Total Net Position				$ 4,990,586	$ 4,990,586

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

BALDESSARI & COSTER LLP

PORT JEFFERSON FREE LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Capital Fund	Total	Adjustments (Note 11)	Statement of Activities
Revenues:					
Tax revenues	$ 2,908,636	$	$ 2,908,636	$	$ 2,908,636
Payments in lieu of taxes	115,392		115,392		115,392
Contract services	1,184,630		1,184,630		1,184,630
State aid and other grants	11,719		11,719		11,719
Fines	9,244		9,244		9,244
Lost and damaged materials	4,453		4,453		4,453
Copier revenue	4,739		4,739		4,739
Interest income	5,801		5,801		5,801
E-rate	4,715		4,715		4,715
Gifts and donations	1,431		1,431		1,431
Programs	23,675		23,675		23,675
Refund of prior year expense	4,261		4,261		4,261
Miscellaneous revenue	1,355		1,355		1,355
Total Revenues	4,280,051	0	4,280,051	0	4,280,051
Expenditures/Expenses For Library Services:					
Salaries and wages	2,038,524		2,038,524	(29,952)	2,008,572
Employee benefits	912,265		912,265	153,847	1,066,112
Library materials and programs	500,767		500,767		500,767
Library operations	184,491		184,491		184,491
Building operations	197,038		197,038		197,038
Capital outlay	19,119		19,119	(19,119)	
Depreciation				78,696	78,696
Total Expenditures/Expenses	3,852,204	0	3,852,204	183,472	4,035,676
Excess (Deficiency) Of Revenues Over Expenditures	427,847	0	427,847	(183,472)	
Other Financing Sources/Uses:					
Transfers- internal activities	0	0	0		
Excess (Deficiency) Of Revenues And Transfers In Over Expenditures	427,847	0	427,847	(427,847)	
Change In Net Position				244,375	244,375
Fund balance/Net Position- beginning of the year	3,912,603	296,674	4,209,277	536,934	4,746,211
Fund Balance/Net Position- End Of The Year	$ 4,340,450	$ 296,674	$ 4,637,124	$ 353,462	$ 4,990,586

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

BALDESSARI & COSTER LLP

NOTE 1: Summary of Significant Accounting Policies

The accounting policies of Port Jefferson Free Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Accordingly, in June 1999, the Governmental Accounting Standards Board 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 Port Jefferson Free Library coordinates the raising of its real estate tax revenues with the Port Jefferson Union Free School District #6. The Board of Trustees is responsible for the approval of the 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 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.

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. 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, if applicable, 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 patrons. General tax revenues and other sources of revenues used to finance the fundamental operation of the Library are included in this fund.

Capital Fund: This fund is used to account for resources devoted to the construction and renovation of the Library.

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

D. 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 expenditures that the Library must account for in other funds in accordance with budgetary authorizations.

E. Tax Status: The Library qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and accordingly there is no provision for income taxes.

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. **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.

G. **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.

H. **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 1: Summary of Significant Accounting Policies (Continued)

I. **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. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	5 years
Furniture and fixtures	7 years
Building and improvements	40 years
Leasehold improvements	life of lease (5 years)

NOTE 2: Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

NOTE 3: Concentration of Credit Risk

The Library maintains all of its cash balances at one bank. At fiscal year end, the Library's carrying amount of deposits was $4,807,129 (excludes petty cash) and the bank balance was $4,872,674. Of the bank balance, $500,000 was covered by federal depository insurance. The remaining balance of $4,372,674 was covered by collateral held by the Library's agent.

NOTE 4: Capital Assets

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

	Balance as of 7/1/2013	Additions	Deletions	Balance as of 6/30/2014
Assets not being depreciated:				
Fine arts	$ 1,475	$ 0	$ 0	$ 1,475
Land	289,346	0	0	289,346
Other capital assets:				
Computer equipment	185,997	8,040	0	194,037
Other equipment	322,027	1,935	0	323,962
Furniture and fixtures	438,662	9,144	(7,001)	440,805
Leasehold improvements	74,555		0	74,555
Building improvements	2,580,588		0	2,580,588
Total	3,892,650	19,119	(7,001)	3,904,768
Accumulated depreciation	(2,287,236)	(78,696)	7,001	(2,358,931)
Net Book Value	$ 1,605,414	$ (59,577)	$ 0	$ 1,545,837

NOTE 5: Accounts Payable

Accounts payable consisted of unpaid invoices at June 30, 2014.

NOTE 6: Compensated Absences Payable

The Library has an accumulated liability as of June 30, 2014 for unused sick and vacation pay amounting to $117,149. This represents an increase of $32,243 from the previous year. No portion of this liability is expected to be paid out during the next twelve months.

NOTE 7: Retirement Plan

A. **General Information:** The Port Jefferson Free Library contributes to the New York State and Local Employees' Retirement System (ERS). The Retirement System is a cost sharing multiple employer defined benefit pension plan. The Retirement System provides retirement benefits, as well as death and disability benefits.

B. **Plan Description:** The ERS is established pursuant to the New York State Retirement and Social Security Law, to provide benefits for the state and local governments and their employees. The State Constitution guarantees ERS plan benefits.

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. These reports may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

C. **Funding Policy:** The Retirement System is noncontributory except for: 1) employees who joined the Retirement System between July 27, 1976 and December 31, 2009, and have less than ten years of service, who contribute 3% of their salary, 2) employees who joined the Retirement System between January 1, 2010 and March 31, 2012 who contribute 3% of their salary in perpetuity and 3) employees who joined the Retirement System on or after April 1, 2012 who contribute from 3% to 6% of their salary in perpetuity dependent upon their annual wage. Under the Authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Library is required to contribute annually at an actuarially determined rate. The required contribution for the current year was $364,907, for 2013 it was $380,952 and for 2012 it was $252,841.

The actual contributions made to the Retirement System were equal to 100% of the contribution required for each year.

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 Port Jefferson Free Library. 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. The Library, as a participant in the plan, recognizes these postemployment benefits on an accrual basis.

B. **Funding Policy:** Contribution requirements are determined by the Library Board. Currently, for full-time employees hired prior to July 1, 2002, the Library will pay 100% of the amount for a retiree's individual policy premium and 75% of the additional cost of a family policy premium. For full-time employees hired on or after July 1, 2002, the Library will pay 90% of the amount for a retiree's individual policy premium and 75% of the additional cost of a family policy premium.

For the year ending June 30, 2014, the Library recognized the cost of providing health insurance by recording its share of retiree insurance premiums of $92,541 as an expenditure in the General Fund. Port Jefferson Free Library also reimburses retired employees and their spouses the full cost of Medicare deducted from their Social Security benefits, which amounted to $11,790. The retiree's share of premiums for health insurance is withheld from their monthly NYS retirement pension payment.

The calculation of the liability was based upon the 2012 annual medical premiums of:

	Individual	Family	Family With Two Medicare Participants	Family With One Medicare Participant
Empire	$ 8,553	$ 18,754		
Empire Medicare	$ 5,031		$ 11,079	$ 15,231

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

C. **Annual OPEB Cost and Net OPEB Obligation:** The Library's annual other postemployment 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	$ 283,915
Interest on net OPEB obligation	36,764
Adjustment to annual required contribution	(43,235)
Annual OPEB cost (expense)	277,444
Contributions made	(121,306)
Increase in net OPEB obligation	156,138
Net OPEB obligation - beginning of year	919,088
Net OPEB obligation - end of year	$ 1,075,226

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OBEB obligation for the years ending June 30, 2012, 2013 and 2014 are as follows:

Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % Of Pay
6/30/2012	$ 352,646	25.4%	$ 764,960	$ 1,466,533	24.0%
6/30/2013	$ 266,087	42.1%	$ 919,088	$ 1,210,828	22.0%
6/30/2014	$ 277,444	43.7%	$ 1,075,226	$ 1,241,099	22.4%

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

D. Funded Status and Funded Progress: As of June 30, 2014, the actuarial accrued liability for benefits, based upon the valuation date of July 1, 2012 was $3,407,974, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1,241,099, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 274.6 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% was used.

Mortality – Life expectancies were based on the RP2000 Mortality Table with sex distinct rates and with generational mortality improvements projected using the AA 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.

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

E. Methods and Assumptions: (Continued)

Retirement rates:

Age	Rate
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.

Age	Rate
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:

Year	Pre- 65 Rates	Post- 65 Rates
2012	9.0%	5.5%
2013	8.0%	5.0%
2014	7.0%	5.0%
2015	6.0%	5.0%
2016+	5.0%	5.0%

Participant salary increases – 3.50% annually.

Payroll growth rate – 2.50% annually.

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.

Administrative expenses – Included in premiums used.

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.

NOTE 9: Funds Committed For Specific Purposes

A summary of changes in designated funds for the fiscal year ending June 30, 2014 is as follows:

	Balance as of 7/1/2013	Funds Committed (Uncommitted)	Funds Received (Expended)	Balance as of 6/30/2014
Funds Committed For:				
Computers	$ 101,055	$ 0	$ (10,000)	$ 91,055
Special projects	237,760	28,956	0	266,716
Budget stabilization fund	840,071	0	0	840,071
Retirement	134,112	0	0	134,112
Roof repair	85,000	0	0	85,000
Building and grounds	170,000	0	0	170,000
Compensated absences	202,000	0	(62,335)	139,665
Other post-employment benefits	764,960	154,128	0	919,088
Total	$ 2,534,958	$ 183,084	$ (72,335)	$ 2,645,707

NOTE 10: Commitments and Contingencies

The Library leases several pieces of office equipment as well additional Library space at 150 East Main Street in Port Jefferson. The lease for space was originally signed during 2006 and was for five years. In August 2012, an agreement was signed to extend the lease term through October 31, 2016. The minimum monthly rental commitment increases from $3,142 to $3,488 over the lease term. In addition the Library is required to pay, as additional rent, an amount equal to 33% of any real estate tax increase. For the fiscal year ending June 30, 2014 the Library made rental payments for the equipment of $14,947 and for the space at 150 East Main Street of $39,287.

The future minimum lease commitments are detailed as follows:

Year Ending June 30,	Office Equipment	150 East Main Street	Total Minimum Commitment
2015	$ 16,337	$ 40,269	$ 56,606
2016	3,884	41,276	45,160
2017	0	13,871	13,871
2018	0	0	0
	$ 20,221	$ 95,416	$ 115,637

NOTE 11: 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	$ 4,637,124
Amounts reported in the statement of net position are different because:	
• Capital assets are not financial resources, and are not reported in the funds	1,545,837
• Compensated absences are included as a liability	(117,149)
• Obligation for post-employment health insurance, to be paid in future periods is not reported in the funds	(1,075,226)
Total Net Position - Full Accrual Basis	$ 4,990,586

Net Change in Fund Balance - Modified Accrual Basis	$ 427,847
Amounts reported in the statement of activities are different because:	
• 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 allocated over their estimated useful lives as depreciation:	
Capital outlay	19,119
Depreciation expense	(78,696)
• (Increase)/decrease in the accruals for items reported as expenditures in the statements of activities, not in the fund statements:	
Compensated absences	32,243
Post-employment health costs	(156,138)
Change In Net Position - Full Accrual Basis	$ 244,375

PORT JEFFERSON FREE LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues:				
Tax Related Items:				
Tax revenues	$ 2,908,636	$ 2,908,636	$ 2,908,636	$ 0
Payments in lieu of taxes	111,300	111,300	115,392	4,092
Total Tax Related Items	3,019,936	3,019,936	3,024,028	4,092
Operating Revenue:				
Contract services	995,000	995,000	1,184,630	189,630
State aid and other grants	1,834	1,834	11,719	9,885
Fines	9,000	9,000	9,244	244
Lost and damaged materials	5,400	5,400	4,453	(947)
Copier revenue	5,200	5,200	4,739	(461)
Interest income	5,300	5,300	5,801	501
E-rate	5,300	5,300	4,715	(585)
Gifts and donations	3,500	3,500	1,431	(2,069)
Programs	23,500	23,500	23,675	175
Refund of prior year expense	0	0	4,261	4,261
Miscellaneous	0	0	1,355	1,355
Total Operating Revenue	1,054,034	1,054,034	1,256,023	201,989
Transfer From Committed Fund Balance	0	72,335	0	(72,335)
Total Revenues	$ 4,073,970	$ 4,146,305	$ 4,280,051	$ 133,746

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

BALDESSARI & COSTER LLP

PORT JEFFERSON FREE LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures:				
Salaries and Wages:				
Professional	$ 953,633	$ 1,013,269	$ 1,011,466	$ 1,803
Clerical	961,822	961,822	909,990	51,832
Custodial	146,030	146,030	88,242	57,788
Security	30,757	30,757	28,826	1,931
Total Salaries and Wages	2,092,242	2,151,878	2,038,524	113,354
Employee Benefits:				
Employee insurance benefits	374,606	374,606	371,857	2,749
Retirement	381,918	381,918	356,528	25,390
Payroll taxes	167,494	170,193	158,055	12,138
Workers compensation	35,045	35,045	25,825	9,220
Total Employee Benefits	959,063	961,762	912,265	49,497
Library Materials And Programs:				
Books	220,500	220,500	195,692	24,808
Audio visuals	82,000	82,000	65,618	16,382
Periodicals / print and non-print	48,000	48,000	12,487	35,513
Computer services / OPAC / basic service fee	99,300	109,300	111,932	(2,632)
Bindery	500	500	0	500
AV licenses	700	700	55	645
Programs and program supplies	105,000	105,000	114,983	(9,983)
Total Library Materials And Programs	556,000	566,000	500,767	65,233
Library Operations:				
Library and office supplies	36,750	36,750	45,789	(9,039)
Telecommunications	13,700	13,700	13,401	299
Postage and shipping	15,500	15,500	16,055	(555)
Publicity and printing	34,500	34,500	27,294	7,206
Conference and travel	11,500	11,500	10,144	1,356
Professional fees and dues	49,500	49,500	38,717	10,783
Library insurance	37,500	37,500	32,979	4,521
Miscellaneous	0	0	112	(112)
Total Library Operations	$ 198,950	$ 198,950	$ 184,491	$ 14,459

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

BALDESSARI & COSTER LLP

PORT JEFFERSON FREE LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures: (continued)				
Building Operations:				
Utilities	$ 84,000	$ 84,000	$ 95,042	$ (11,042)
Building and grounds repair/improvement	49,926	49,926	6,582	43,344
Equipment rental and repair	21,500	21,500	17,067	4,433
Service contracts	17,502	17,502	15,531	1,971
Building maintenance	17,500	17,500	23,529	(6,029)
Rent - 150 East Main Street	39,287	39,287	39,287	0
Total Building Operations	229,715	229,715	197,038	32,677
Capital Outlay:				
Building improvements	0	0	0	0
Equipment, furniture and fixtures	38,000	38,000	19,119	18,881
Total Capital Outlay	38,000	38,000	19,119	18,881
Total Expenditures	4,073,970	4,146,305	3,852,204	294,101
Excess Of Revenues Over Expenditures	0	0	427,847	427,847
Other Financing Sources (Uses):				
Transfer to Capital Fund	0	0	0	0
Excess Of Revenues And Other Financing Sources Over Expenditures	0	0	427,847	427,847
Budgetary fund balance- beginning of year	3,912,603	3,912,603	3,912,603	3,912,603
Budgetary Fund Balance- End Of Year	$ 3,912,603	$ 3,912,603	$ 4,340,450	$ 4,340,450

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

BALDESSARI & COSTER LLP

PORT JEFFERSON FREE LIBRARY
SCHEDULE OF FUNDING PROGRESS
FOR THE RETIREE HEALTH PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (d)	UAAL as a percentage of Covered Payroll ((b -a) / d)
7/1/2009	$ 0	$ 3,080,073	$ 3,080,073	0.0%	$ 1,395,867	220.7%
7/1/2012	$ 0	$ 3,407,974	$ 3,407,974	0.0%	$ 1,210,828	281.5%

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

BALDESSARI & COSTER LLP