

PORT JEFFERSON FREE LIBRARY

**FINANCIAL REPORT
WITH
ADDITIONAL INFORMATION**

JUNE 30, 2018

PORT JEFFERSON FREE LIBRARY

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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, 2018, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 Port Jefferson Free Library, as of June 30, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information the schedule of proportionate share of the net pension liability, the schedule of library pension contributions and the schedule of changes in the Library's total OPEB liability and related ratios on pages 5 through 9 and 33 through 38 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.



Certified Public Accountants
Stewart Manor, New York
October 24, 2018

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Condensed Financial Information:

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

| | June 30, 2018 | June 30, 2017** | Increase (Decrease) |
|----------------------------------|------------------|--------------------|------------------------|
| Assets: | | | |
| Current assets | \$ 6,850 | \$ 6,045 | \$ 805 |
| Capital assets | 1,978 | 2,031 | (53) |
| Total Assets | 8,828 | 8,076 | 752 |
| Deferred Outflows of Resources | 697 | 474 | 223 |
| Liabilities: | | | |
| Long-term debt | 5,158 | 5,602 | (444) |
| Other liabilities | 270 | 164 | 106 |
| Total Liabilities | 5,428 | 5,766 | (338) |
| Deferred Inflows of Resources | 971 | 335 | 636 |
| Net Position: | | | |
| Net investment in capital assets | 1,978 | 2,031 | (53) |
| Restricted | 1 | 1 | 0 |
| Unrestricted | 1,147 | 417 | 730 |
| Total Net Position | \$ 3,126 | \$ 2,449 | \$ 677 |
| Revenue: | | | |
| Tax revenues | \$ 3,039 | \$ 3,001 | \$ 38 |
| Contract services | 1,297 | 1,265 | 32 |
| Other revenue | 217 | 216 | 1 |
| Total Revenue | 4,553 | 4,482 | 71 |
| Expenses - Library Services | 3,876 | 4,151 | (275) |
| Change in net position | 677 | 331 | 346 |
| Net Position - beginning of year | 2,449 | 2,118 | 331 |
| Net position - End of Year | \$ 3,126 | \$ 2,449 | \$ 677 |

** Restated for opening balance adjustments identified in note 12.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The Library As A Whole

- The Library's net assets increased by \$677,573 this year. This was the combined result of receiving more revenues and having lower spending than anticipated. The explanations for many of the budgetary variances are explained in the "Library Funds" section below.
- 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 67 percent of total revenue. In the prior year these revenue items also represented 28 percent and 67 percent of total revenue respectively.
- As is typical of service agencies, salaries and benefits are a significant expense of the Library, representing 74 percent of the Library's total expenses. These expenses totaled \$2,850,785 for the year ending June 30, 2018 versus \$3,161,533 for the year ending June 30, 2017.

The Library Funds:

Our analyses of the Library's funds are included in the first three columns of pages 10 through 12 on the respective statements. The fund columns provide detailed information about the most significant funds – not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes and to maintain accountability for certain activities. Currently, the Library's funds consist of the General and the Capital Fund.

The fund balance of the General Fund increased during the year from \$5,441,527 to \$6,151,700. This is primarily the result of the budgetary highlights described below. The fund balance of the Capital Fund decreased during the year from \$439,428 to \$428,168.

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 \$327,111 favorable budget variance for operating revenue. The majority of this variance was within the contract services revenue line. The Library budgets this number conservatively since revenues can fluctuate depending upon the number of residents from neighboring un-served library districts who sign up with the Port Jefferson Free Library for service. These neighboring districts can choose from a number of neighboring libraries for service.
- The favorable budget variance for passport income was due to introducing this new service and revenue stream to the Library.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Budgetary Highlights: (Continued)

- The favorable budget variance for program revenues of \$11,061 was due to hosting more bus trips than anticipated. In addition, programs such as robotics brought in higher programming fees.
- Although there were variances within the specific salaries and wages budget lines, in total the budget section was only underspent by \$23,440 or 1.15%. 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 allocation of staff depending upon the changing needs of the Library. Security guards were underspent because guards were replaced by custodians on Sundays.
- The budget line for post-retirement health was underspent by \$207,698. The Library included this line in their budget as a mechanism to address its long-term retiree medical insurance needs and to accumulate funds to offset future premium increases.
- The budget line for audio/visual was underspent by \$18,391. This was due to lower demand for audio/visual materials such as DVD's and CD's since most patrons utilize the ability to stream music and movies using electronic resources.
- The budget line for periodicals/print and non-print was underspent by \$5,779. The Library realized a savings by purchasing non-print periodicals through a coordinated order offered by the Suffolk Cooperative Library System. In addition, demand for materials in an electronic format has reduced the demand for materials to be duplicated in the print format.
- The budget line for library and office supplies was underspent because departments are buying items in bulk gaining more cost efficient pricing and they purchase supplies that may be shared between departments.
- The budget line for conference and travel was underspent by \$6,255 because the staff have been attending more local events and trainings, which are generally less expensive and air travel is not required.
- The budget line for professional fees and dues was underspent by \$12,438. The Library attributes this to the fact that legal fees for contract negotiations were not incurred as expected.
- The budget line for utilities was underspent by \$10,264. The Library attributes this to the installation of a new energy efficient HVAC system which has helped to reduce utility costs.
- The budget line for building and grounds repair/improvement was underspent by \$21,964. As a result of being in the very early stages of the building renovation project, the Library only made repairs and improvements that were absolutely necessary.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Budgetary Highlights: (Continued)

- The budget line for building maintenance was overspent due to unanticipated expenditures that were required.
- In total, the capital outlay budget section was underspent by \$11,871. This was due to postponing planned purchases because prior year purchases of capital items have continued to hold up and have not required replacement.

Capital Assets and Debt Administration:

During the fiscal year ending June 30, 2018 the Library purchased \$48,238 of fixed assets (capital outlay). The expenditures paid from the Capital Fund were for planning costs related to the construction on the property adjacent to the Library. The General Fund purchases were for a variety of items such as computer equipment, furniture, flooring, defibrillators, a digital library card system, etc. During the year, the Library disposed \$10,984 of obsolete equipment.

The only long term debt that the Library has is to its employees for compensated absences, its net pension liability and its obligation for other post-employment benefits. The liability for compensated absences at June 30, 2018 was \$128,160. This represents a decrease of \$882 from the previous year. The net pension liability at June 30, 2018 was \$235,703. This represents a decrease of \$413,355 from the previous year. The obligation for other post-employment benefits at June 30, 2018 was \$4,794,370. This represents a decrease of \$29,340 from the previous year.

Currently Known Conditions:

The Library budget vote for the 2018-2019 fiscal year was approved by the taxpayers. The anticipated tax revenues will be \$3,099,391. This is a 2.0% increase as compared to the 2017-2018 fiscal year budget.

**PORT JEFFERSON FREE LIBRARY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2018**

| | General Fund | Capital Fund | Total | Adjustments (Note 13) | Statement of Net Position |
|--|---------------------|-------------------|---------------------|--------------------------|---------------------------------|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 6,368,982 | \$ 427,932 | \$ 6,796,914 | \$ | \$ 6,796,914 |
| Miscellaneous receivable | 315 | | 315 | | 315 |
| Internal receivables | 2,459 | | 2,459 | (2,459) | |
| Prepaid expenses | 49,369 | 2,695 | 52,064 | | 52,064 |
| Inventory | 90 | | 90 | | 90 |
| Capital assets, net of depreciation (note 4) | | | | 1,978,386 | 1,978,386 |
| Total Assets | <u>6,421,215</u> | <u>430,627</u> | <u>6,851,842</u> | <u>1,975,927</u> | <u>8,827,769</u> |
| Deferred Outflows of Resources: | | | | | |
| Deferred outflows on pension | 0 | 0 | 0 | 697,053 | 697,053 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 6,421,215</u> | <u>\$ 430,627</u> | <u>\$ 6,851,842</u> | <u>\$ 2,672,980</u> | <u>\$ 9,524,822</u> |
| Liabilities: | | | | | |
| Accounts payable | \$ 151,209 | \$ | \$ 151,209 | \$ | \$ 151,209 |
| Accrued payroll and related items | 52,178 | | 52,178 | | 52,178 |
| Accrued retirement | 66,128 | | 66,128 | | 66,128 |
| Internal payables | | 2,459 | 2,459 | (2,459) | |
| Non-current liabilities: | | | | | |
| Compensated absences payable | | | | 128,160 | 128,160 |
| Net pension liability | | | | 235,703 | 235,703 |
| Obligation for other post-employment benefits | | | | 4,794,370 | 4,794,370 |
| Total Liabilities | <u>\$ 269,515</u> | <u>\$ 2,459</u> | <u>\$ 271,974</u> | <u>\$ 5,155,774</u> | <u>\$ 5,427,748</u> |

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

**PORT JEFFERSON FREE LIBRARY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2018**

| | General Fund | Capital Fund | Total | Adjustments (Note 13) | Statement of Net Position |
|--|---------------------|-------------------|---------------------|--------------------------|---------------------------------|
| Deferred Inflows of Resources: | | | | | |
| Deferred inflows on other post-employment benefits (OPEB) | \$ | \$ | | \$ 191,365 | \$ 191,365 |
| Deferred inflows on pension | | | | 779,235 | 779,235 |
| Total Deferred Inflows of Resources | 0 | 0 | 0 | 970,600 | 970,600 |
| Fund Balances/Net Position: | | | | | |
| Nonspendable (prepaid amounts) | 49,459 | 2,695 | 52,154 | (52,154) | |
| Restricted for permanent endowment | 1,000 | | 1,000 | (1,000) | |
| Committed for specific purposes | 3,366,524 | | 3,366,524 | (3,366,524) | |
| Assigned for capital projects | | 425,473 | 425,473 | (425,473) | |
| Unassigned | 2,734,717 | | 2,734,717 | (2,734,717) | |
| Total Fund Balance | 6,151,700 | 428,168 | 6,579,868 | (6,579,868) | |
| Total Liabilities, Deferred Inflows of Resources And Fund Balance | <u>\$ 6,421,215</u> | <u>\$ 430,627</u> | <u>\$ 6,851,842</u> | | |
| Net Position: | | | | | |
| Net investment in capital assets | | | | 1,978,386 | 1,978,386 |
| Restricted for permanent endowment | | | | 1,000 | 1,000 |
| Unrestricted | | | | 1,147,088 | 1,147,088 |
| Total Net Position | | | | <u>\$ 3,126,474</u> | <u>\$ 3,126,474</u> |

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

PORT JEFFERSON FREE LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>General Fund</u> | <u>Capital Fund</u> | <u>Total</u> | <u>Adjustments (Note 13)</u> | <u>Statement of Activities</u> |
|---|-------------------------|-------------------------|---------------------|----------------------------------|--|
| Revenues: | | | | | |
| Tax revenues | \$ 3,038,814 | \$ | \$ 3,038,814 | \$ | \$ 3,038,814 |
| Payments in lieu of taxes | 119,684 | | 119,684 | | 119,684 |
| Contract services | 1,297,375 | | 1,297,375 | | 1,297,375 |
| State aid and other grants | 6,197 | | 6,197 | | 6,197 |
| Fines | 8,511 | | 8,511 | | 8,511 |
| Passport income | 13,321 | | 13,321 | | 13,321 |
| Lost and damaged materials | 4,332 | | 4,332 | | 4,332 |
| Copier revenue | 7,215 | | 7,215 | | 7,215 |
| Interest income | 12,175 | | 12,175 | | 12,175 |
| E-rate reimbursement | 5,105 | | 5,105 | | 5,105 |
| Gifts and donations | 7,879 | | 7,879 | | 7,879 |
| Programs | 28,561 | | 28,561 | | 28,561 |
| Miscellaneous revenue | 4,478 | | 4,478 | | 4,478 |
| Total Revenues | <u>4,553,647</u> | <u>0</u> | <u>4,553,647</u> | <u>0</u> | <u>4,553,647</u> |
| Expenditures/Expenses For | | | | | |
| Library Services: | | | | | |
| Salaries and wages | 2,006,897 | | 2,006,897 | (819) | 2,006,078 |
| Employee benefits | 874,983 | | 874,983 | (30,276) | 844,707 |
| Library materials and programs | 514,377 | | 514,377 | | 514,377 |
| Library operations | 192,982 | 3,151 | 196,133 | | 196,133 |
| Building operations | 214,106 | | 214,106 | | 214,106 |
| Capital outlay | 40,129 | 8,109 | 48,238 | (48,238) | |
| Depreciation | | | | 100,673 | 100,673 |
| Total Expenditures/Expenses | <u>3,843,474</u> | <u>11,260</u> | <u>3,854,734</u> | <u>21,340</u> | <u>3,876,074</u> |
| Excess (Deficiency) Of Revenues Over Expenditures | 710,173 | (11,260) | 698,913 | (21,340) | |
| Other Financing Sources/Uses: | | | | | |
| Transfers- internal activities | <u>0</u> | <u>0</u> | <u>0</u> | | |
| Excess (Deficiency) Of Revenues And Transfers In Over Expenditures | 710,173 | (11,260) | 698,913 | <u>(698,913)</u> | |
| Change In Net Position | | | | 677,573 | 677,573 |
| Fund balance/Net Position- beginning of the year | <u>5,441,527</u> | <u>439,428</u> | <u>5,880,955</u> | <u>(3,432,054)</u> | <u>2,448,901</u> |
| Fund Balance/Net Position- End Of The Year | <u>\$ 6,151,700</u> | <u>\$ 428,168</u> | <u>\$ 6,579,868</u> | <u>\$ (3,453,394)</u> | <u>\$ 3,126,474</u> |

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

**PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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 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.

PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 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.

PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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. Order of Use of Restricted/Unrestricted Net Position and Fund Balance:** When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Library's policy is to apply restricted net position first. Expenditures incurred from unrestricted resources are applied to committed fund balance as determined by the Board, then to assigned fund balance, and then to the unassigned fund balance.

- 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.

PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

I. Investments: The Library's investment policies are governed by State statutes and its own written investment policy. Permissible investments for the Library include special time deposit accounts, certificates of deposit, obligations of the United States of America and the State of New York.

J. 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 \$6,796,614 (excludes petty cash) and the bank balance was \$6,854,920. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance of \$6,354,920 was covered by collateral held by the Library's agent.

PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4: Capital Assets

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

| | Balance as of 7/1/2017 | Additions | Deletions | Balance as of 6/30/2018 |
|--------------------------------------|---------------------------------------|------------------|------------------|--|
| Assets not being depreciated: | | | | |
| Fine arts | \$ 1,475 | \$ 595 | \$ 0 | \$ 2,070 |
| Land | 501,146 | 0 | 0 | 501,146 |
| Construction in progress | 66,594 | 8,109 | 0 | 74,703 |
| Other capital assets: | | | | |
| Computer equipment | 251,825 | 19,921 | (9,600) | 262,146 |
| Other equipment | 365,924 | 8,947 | (1,384) | 373,487 |
| Furniture and fixtures | 459,908 | 10,666 | 0 | 470,574 |
| Leasehold improvements | 74,555 | 0 | 0 | 74,555 |
| Building and building improvements | 2,959,721 | 0 | 0 | 2,959,721 |
| Total | 4,681,148 | 48,238 | (10,984) | 4,718,402 |
| Accumulated depreciation | (2,650,327) | (100,673) | 10,984 | (2,740,016) |
| Net Book Value | \$ 2,030,821 | \$ (52,435) | \$ 0 | \$ 1,978,386 |

NOTE 5: Accounts Payable

Accounts payable consisted of unpaid invoices at June 30, 2018.

NOTE 6: Compensated Absences Payable

The Library has an accumulated liability as of June 30, 2018 for unused sick and vacation pay amounting to \$128,160. This represents a decrease of \$882 from the previous year. \$4,623 of this liability is expected to be paid out during the next twelve months.

**PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7: Long Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

| | <u>Balance</u> <u>7/1/2017</u> | <u>Increases</u> | <u>Reductions</u> | <u>Balance</u> <u>6/30/2018</u> | <u>Non-current liabilities</u> <u>Due within</u> <u>one year</u> | <u>Due after</u> <u>one year</u> |
|---|-----------------------------------|------------------|-------------------|------------------------------------|--|-------------------------------------|
| Compensated absences | \$ 129,042 | \$ 0 | \$ 882 | \$ 128,160 | \$ 4,623 | \$ 123,537 |
| Net pension liability | 649,058 | 0 | 413,355 | 235,703 | 0 | 235,703 |
| Other post-employment benefits payable | 4,823,710 | 0 | 29,340 | 4,794,370 | 0 | 4,794,370 |
| | <u>\$ 5,601,810</u> | <u>\$ 0</u> | <u>\$ 443,577</u> | <u>\$ 5,158,233</u> | <u>\$ 4,623</u> | <u>\$ 5,153,610</u> |

NOTE 8: Retirement Plan

- A. **Plan Description and Benefits Provided:** The Port Jefferson Free Library 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, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. 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 Port Jefferson Free Library 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.

PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8: **Retirement Plan (Continued)**

- B. Benefits Provided:** The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service.

Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months. Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8: **Retirement Plan (Continued)**

B. Benefits Provided: (Continued)

Tiers 3, 4, and 5 (Continued)

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after 10 years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8: **Retirement Plan (Continued)**

B. Benefits Provided: (Continued)

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for 10 years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement.

An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

- C. 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 10 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. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years 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 for the current fiscal year was \$260,717, for the 2017 fiscal year it was \$314,483 and for the 2016 fiscal year it was \$287,294.

**PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8: Retirement Plan (Continued)

- D. Pension Liabilities, Pension Expenses, Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions:** At June 30, 2018, the Port Jefferson Free Library reported a liability of \$235,703 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port Jefferson Free Library's proportion of the net pension liability was based on a projection of the Port Jefferson Free Library's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018, the Port Jefferson Free Library's proportion was 0.0073031 percent, which was an increase of .0003955 percent from its proportion measured at June 30, 2017.

For the year ended June 30, 2018, the Port Jefferson Free Library recognized pension expense of \$284,774. At June 30, 2018, the Port Jefferson Free Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflow of Resources</u> | <u>Deferred Inflow of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 84,068 | \$ 69,470 |
| Changes in assumptions | 156,291 | 0 |
| Net difference between projected and actual investment earnings on pension plan investments | 342,340 | 675,745 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 48,226 | 34,020 |
| Library's contributions subsequent to the measurement date | <u>66,128</u> | <u>0</u> |
| Total | <u>\$ 697,053</u> | <u>\$ 779,235</u> |

**PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8: Retirement Plan (Continued)

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

\$66,128 reported as deferred outflows of resources related to pensions resulting from Port Jefferson Free Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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 June 30,</u> | <u>Amount Recognized</u> |
|---------------------------------|------------------------------|
| 2019 | \$ 50,278 |
| 2020 | 44,290 |
| 2021 | (162,372) |
| 2022 | (80,506) |
| 2023 | <u>0</u> |
| Total | <u>\$ (148,310)</u> |

E. Actuarial Assumptions: The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions:

| | |
|---|-------|
| Inflation | 2.50% |
| Salary increases | 3.80% |
| Investment rate of return (net of investment expense, including inflation) | 7.00% |
| 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 the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8: Retirement Plan (Continued)

E. Actuarial Assumptions: (Continued)

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 return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------|------------------------------|---|
| Domestic equity | 36.00% | 4.55% |
| International equity | 14.00% | 6.35% |
| Private equity | 10.00% | 7.75% |
| Real estate | 10.00% | 5.80% |
| Absolute return strategies | 2.00% | 4.00% |
| Opportunistic portfolio | 3.00% | 5.89% |
| Real assets | 3.00% | 5.54% |
| Bonds and mortgages | 17.00% | 1.31% |
| Cash | 1.00% | (0.25%) |
| Inflation-Indexed bonds | 4.00% | 1.50% |
| Total | 100.00% | |

The real rate of return is net of the long-term inflation assumption of 2.5%.

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.

PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8: **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 current-period net pension liability of the Library, calculated using the current-period discount rate assumption of 7.0 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.0 percent) or 1 percentage- point higher (8.0 percent) than the current assumption:

| | <u>1%</u> <u>Decrease</u> <u>(6.0%)</u> | <u>Current</u> <u>Assumption</u> <u>(7.0%)</u> | <u>1%</u> <u>Increase</u> <u>(8.0%)</u> |
|---|---|--|---|
| Library's proportionate share of the net pension liability | \$ 1,783,392 | \$ 235,703 | \$ (1,073,580) |

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, 2018, in thousands of dollars was as follows:

| | <u>Total</u> |
|---|----------------------|
| Employers' total pension liability | \$ 183,400,590 |
| Plan net position | <u>(180,173,145)</u> |
| Employers' net pension liability | <u>\$ 3,227,445</u> |
| Ratio of plan net position to the Employers' total pension liability | 98.24% |

PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9: 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. Benefits Provided:** 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, 2018, the Library recognized the cost of providing health insurance by recording its share of retiree insurance premiums of \$141,057 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 \$15,492. The retiree's share of premiums for health insurance is withheld from their monthly NYS retirement pension payment.

As of June 30, 2018 the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Active employees | 15 |
| Inactive employees entitled to but not yet receiving benefit payments | 0 |
| Inactive employees or beneficiaries currently receiving benefit payments | 8 |
| Total | <u>23</u> |

**PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9: Post-employment Benefits Other Than Pensions (Continued)

C. Total Other Post-employment Benefit (OPEB) Liability: The Library's total OPEB liability of \$4,794,370 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

D. Actuarial Assumptions and Other Inputs:

| | |
|---|---------------|
| Inflation Rate | 2.00% |
| Participant Salary Increases | 3.50% |
| Discount Rate | 3.87% |
| 2017 Medical Trend Rates (Pre-65/Post-65) | 9.00% / 5.00% |
| 2018 Medical Trend Rates (Pre-65/Post-65) | 8.50% / 5.00% |
| Ultimate Medical Trend Rate | 5.00% |
| Year Ultimate Trend Year Reached (Pre-65/Post-65) | 2025/2017 |

The discount rate was based on the *S&P Municipal Bond 20 Year High Grade Index* as of July 1, 2017.

Mortality rates were based on the Society of Actuaries' RPH-2014 Total Dataset head count-weighted adjusted to 2006 and then projected generationally with the MP-2016 scale.

E. Changes In The Total OPEB Liability:

| | |
|--|----------------------------|
| Balance at June 30, 2017 | \$ <u>4,823,710</u> |
| Changes for the year: | |
| Service cost | 185,783 |
| Interest | 176,217 |
| Changes in benefit terms | 0 |
| Differences between expected and actual experience | 0 |
| Changes in assumptions and other inputs | (215,346) |
| Benefit payments | <u>(175,994)</u> |
| Net changes | <u>(29,340)</u> |
| Balance at June 30, 2018 | \$ <u><u>4,794,370</u></u> |

**PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9: Post-employment Benefits Other Than Pensions (Continued)

E. Changes In The Total OPEB Liability: (Continued)

Note: For the purpose of calculating this liability, there have been no changes in assumptions or in the plan as compared to the prior year.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Library, as well as what the Library's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

| | 1% Decrease (2.87%) | Discount Rate (3.87%) | 1% Increase (4.87%) |
|----------------------|------------------------------------|--------------------------------------|------------------------------------|
| Total OPEB Liability | \$ 5,597,879 | \$ 4,794,370 | \$ 4,145,700 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the Library, as well as what the Library's total OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1 percentage point lower (8.00% decreasing to 4.00%) or 1 percentage point higher (10.00% decreasing to 6%) than the current healthcare cost trend rate:

| | 1% Decrease (8.00% Decreasing to 4.00%) | Healthcare Cost Trend Rate (9.00% Decreasing to 5.00%) | 1% Increase (10.00% Decreasing to 6.00%) |
|----------------------|--|---|---|
| Total OPEB Liability | \$ 4,022,393 | \$ 4,794,370 | \$ 5,797,638 |

PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9: **Post-employment Benefits Other Than Pensions (Continued)**

- F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of resources Related to OPEB:** For the year ending June 30, 2018, the Library recognized OPEB expense of \$338,019. At June 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflow of Resources</u> | <u>Deferred Inflow of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 0 | \$ 0 |
| Changes in assumptions | <u>0</u> | <u>191,365</u> |
| Total | <u>\$ 0</u> | <u>\$ 191,365</u> |

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 June 30,</u> | <u>Amount Recognized</u> |
|--|-------------------------------------|
| 2019 | \$ (23,981) |
| 2020 | (23,981) |
| 2021 | (23,981) |
| 2022 | (23,981) |
| 2023 | (23,981) |
| Thereafter | <u>(71,460)</u> |
| Total | <u>\$ (191,365)</u> |

**PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10: Funds Committed For Specific Purposes

A summary of changes in designated funds for the fiscal year ending June 30, 2018 is as follows:

| | <u>Balance as of 7/1/2017</u> | <u>Funds Committed (Uncommitted)</u> | <u>Funds Received (Expended)</u> | <u>Balance as of 6/30/2018</u> |
|--------------------------------|---------------------------------------|--|--|--|
| Funds Committed For: | | | | |
| Computers | \$ 91,055 | \$ 0 | \$ 0 | \$ 91,055 |
| Special projects | 266,716 | 0 | 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 | 139,665 | 0 | 0 | 139,665 |
| Other post-employment benefits | <u>1,432,207</u> | <u>207,698</u> | <u>0</u> | <u>1,639,905</u> |
| Total | <u>\$ 3,158,826</u> | <u>\$ 207,698</u> | <u>\$ 0</u> | <u>\$ 3,366,524</u> |

NOTE 11: 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 for four years. In July 2016 it was extended for two more years and then in October 2018 for another two years. The Library is also required to pay, as additional rent, an amount equal to 33% of any real estate tax increase. For the fiscal year ending June 30, 2018 the Library made rental payments for the equipment of \$12,199 and for the space at 150 East Main Street of \$43,365.

The future minimum lease commitments are detailed as follows:

| <u>Year Ending June 30,</u> | <u>Office Equipment</u> | <u>150 East Main Street</u> | <u>Total Minimum Commitment</u> |
|-------------------------------------|-----------------------------|---------------------------------|---|
| 2019 | \$ 5,804 | \$ 44,449 | \$ 50,253 |
| 2020 | 1,236 | 45,560 | 46,796 |
| 2021 | 1,236 | 15,311 | 16,547 |
| 2022 | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>\$ 8,276</u> | <u>\$ 105,320</u> | <u>\$ 113,596</u> |

**PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12: Restatement of Prior Year Fund Balance and Net Position

The Library has restated its beginning net position and obligation for other post-employment benefits to reflect the cumulative effect of applying GASB 75. This new standard requires the Library to recognize its entire OPEB liability and any related deferred inflows or outflows of resources and allows for a more comprehensive measure of the OPEB expense. As a result of reflecting the increased OPEB liability and the associated deferred inflow, the Library's net position at June 30, 2017 has decreased by \$3,399,151.

The Library has also restated its beginning fund balance to reflect the accrual of the retirement contribution at June 30, 2017. As a result of reflecting the additional liability, the Library's fund balance at June 30, 2017 has decreased by \$65,179.

The changes are as follows:

| | <u>Total Fund Balance</u> | <u>Total Net Position</u> |
|---|--------------------------------------|--------------------------------------|
| Original Fund balance/net position reported at June 30, 2017 | \$ 5,946,134 | \$ 5,848,052 |
| Adjustments to be made: | | |
| To record retirement accrual at June 30, 2017 | (65,179) | (65,179) |
| To record additional deferred outflows of resources on pension | 0 | 65,179 |
| To record deferred inflows of resources on OPEB | 0 | (215,346) |
| To record entire OPEB liability at June 30, 2017 | 0 | (3,183,805) |
| Restated Fund Balance/Net Position at June 30, 2017 | <u><u>\$ 5,880,955</u></u> | <u><u>\$ 2,448,901</u></u> |

**PORT JEFFERSON FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13: Reconciliation of Fund Financial Statements to Government-Wide Financial Statements

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

Total Fund Balance - Modified Accrual Basis **\$ 6,579,868**

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

- Capital assets are not financial resources, and are not reported in the funds 1,978,386
- Deferred outflow on pension is not reported in the funds 697,053
- Compensated absences are included as a liability (128,160)
- Obligation for post-employment health insurance, to be paid in future periods is not reported in the funds (4,794,370)
- Net pension liability is not included in the funds (235,703)
- Deferred inflows on OPEB is not reported in the funds (191,365)
- Deferred inflow on pension is not reported in the funds (779,235)

Total Net Position - Full Accrual Basis **\$ 3,126,474**

Net Change in Fund Balance - Modified Accrual Basis **\$ 698,913**

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 48,238
 - Depreciation expense (100,673)
- (Increase)/decrease in the items reported as expenditures in the statements of activities, not in the fund statements:
 - Compensated absences 882
 - Post-employment health costs (23,108)
 - Net pension expenses 53,321

Change In Net Position - Full Accrual Basis **\$ 677,573**

PORT JEFFERSON FREE LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Balances</u> | <u>Variance Favorable (Unfavorable)</u> |
|-----------------------------------|----------------------------|-------------------------|----------------------------|---|
| Revenues: | | | | |
| Tax Related Items: | | | | |
| Tax revenues | \$ 3,038,619 | \$ 3,038,619 | \$ 3,038,814 | \$ 195 |
| Payments in lieu of taxes | 116,446 | 116,446 | 119,684 | 3,238 |
| Total Tax Related Items | <u>3,155,065</u> | <u>3,155,065</u> | <u>3,158,498</u> | <u>3,433</u> |
| Operating Revenue: | | | | |
| Contract services | 1,009,000 | 1,009,000 | 1,297,375 | 288,375 |
| State aid and other grants | 4,500 | 4,500 | 6,197 | 1,697 |
| Fines | 8,500 | 8,500 | 8,511 | 11 |
| Passport income | 0 | 0 | 13,321 | 13,321 |
| Lost and damaged materials | 7,500 | 7,500 | 4,332 | (3,168) |
| Copier revenue | 4,500 | 4,500 | 7,215 | 2,715 |
| Interest income | 7,838 | 7,838 | 12,175 | 4,337 |
| E-rate reimbursement | 4,200 | 4,200 | 5,105 | 905 |
| Gifts and donations | 4,500 | 4,500 | 7,879 | 3,379 |
| Programs | 17,500 | 17,500 | 28,561 | 11,061 |
| Miscellaneous | 0 | 0 | 4,478 | 4,478 |
| Total Operating Revenue | <u>1,068,038</u> | <u>1,068,038</u> | <u>1,395,149</u> | <u>327,111</u> |
| Transfer From Fund Balance | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Revenues | <u>\$ 4,223,103</u> | <u>\$ 4,223,103</u> | <u>\$ 4,553,647</u> | <u>\$ 330,544</u> |

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

PORT JEFFERSON FREE LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Balances</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|----------------------------|---|
| Expenditures: | | | | |
| Salaries and Wages: | | | | |
| Professional | \$ 960,425 | \$ 960,425 | \$ 928,321 | \$ 32,104 |
| Clerical | 936,139 | 936,139 | 948,527 | (12,388) |
| Custodial | 103,667 | 103,667 | 104,965 | (1,298) |
| Security | 30,106 | 30,106 | 25,084 | 5,022 |
| Total Salaries and Wages | <u>2,030,337</u> | <u>2,030,337</u> | <u>2,006,897</u> | <u>23,440</u> |
| Employee Benefits: | | | | |
| Employee insurance benefits | 452,955 | 452,955 | 436,956 | 15,999 |
| Post-retirement health | 207,698 | 207,698 | 0 | 207,698 |
| Retirement | 280,069 | 280,069 | 261,666 | 18,403 |
| Payroll taxes | 155,321 | 155,321 | 149,747 | 5,574 |
| Workers compensation | 24,792 | 24,792 | 26,614 | (1,822) |
| Total Employee Benefits | <u>1,120,835</u> | <u>1,120,835</u> | <u>874,983</u> | <u>245,852</u> |
| Library Materials And Programs: | | | | |
| Books | 174,000 | 174,000 | 173,004 | 996 |
| Programs and program supplies | 152,170 | 152,170 | 145,413 | 6,757 |
| Audio/visual | 84,425 | 84,425 | 66,034 | 18,391 |
| Periodicals / print and non-print | 22,500 | 22,500 | 16,721 | 5,779 |
| Computer services / OPAC / basic service fee | 117,561 | 117,561 | 113,150 | 4,411 |
| AV licenses | 150 | 150 | 55 | 95 |
| Total Library Materials And Programs | <u>550,806</u> | <u>550,806</u> | <u>514,377</u> | <u>36,429</u> |
| Library Operations: | | | | |
| Library and office supplies | 58,750 | 58,750 | 50,423 | 8,327 |
| Telecommunications | 15,000 | 15,000 | 11,266 | 3,734 |
| Postage and shipping | 16,500 | 16,500 | 14,007 | 2,493 |
| Publicity and printing | 28,000 | 28,000 | 30,731 | (2,731) |
| Conference and travel | 10,000 | 10,000 | 3,745 | 6,255 |
| Professional fees and dues | 65,000 | 65,000 | 52,562 | 12,438 |
| Library insurance | 34,500 | 34,500 | 29,835 | 4,665 |
| Miscellaneous | 0 | 0 | 413 | (413) |
| Total Library Operations | <u>\$ 227,750</u> | <u>\$ 227,750</u> | <u>\$ 192,982</u> | <u>\$ 34,768</u> |

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

PORT JEFFERSON FREE LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Balances</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|----------------------------|---|
| Expenditures: (continued) | | | | |
| Building Operations: | | | | |
| Utilities | \$ 98,000 | \$ 98,000 | \$ 87,736 | \$ 10,264 |
| Building and grounds repair/improvement | 35,000 | 35,000 | 13,036 | 21,964 |
| Equipment rental and repair | 15,500 | 15,500 | 12,995 | 2,505 |
| Service contracts | 19,875 | 19,875 | 17,359 | 2,516 |
| Building maintenance | 29,000 | 29,000 | 39,615 | (10,615) |
| Rent - 150 East Main Street | 44,000 | 44,000 | 43,365 | 635 |
| Total Building Operations | <u>241,375</u> | <u>241,375</u> | <u>214,106</u> | <u>27,269</u> |
| Capital Outlay: | | | | |
| Equipment, furniture and fixtures | <u>52,000</u> | <u>52,000</u> | <u>40,129</u> | <u>11,871</u> |
| Total Expenditures | <u>4,223,103</u> | <u>4,223,103</u> | <u>3,843,474</u> | <u>379,629</u> |
| Excess Of Revenues Over Expenditures | <u>0</u> | <u>0</u> | <u>710,173</u> | <u>710,173</u> |
| Budgetary fund balance- beginning of year | <u>5,441,527</u> | <u>5,441,527</u> | <u>5,441,527</u> | <u>5,441,527</u> |
| Budgetary Fund Balance- End Of Year | <u>\$ 5,441,527</u> | <u>\$ 5,441,527</u> | <u>\$ 6,151,700</u> | <u>\$ 6,151,700</u> |

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

PORT JEFFERSON FREE LIBRARY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NYSLRS PENSION PLAN
FOR THE 2018 FISCAL YEAR**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|
| Library's proportion of the net pension liability (asset) | 0.007303% | 0.006908% | 0.006669% | 0.007048% |
| Library's proportionate share of the net pension liability (asset) | \$235,703 | \$649,058 | \$1,070,352 | \$238,092 |
| Library's covered-employee payroll | \$1,802,755 | \$1,777,940 | \$1,673,588 | \$1,736,449 |
| Library's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 36.51% | 36.51% | 63.96% | 13.71% |
| Plan fiduciary net position as a percentage of the total pension liability | 98.24% | 94.70% | 90.68% | 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.

**PORT JEFFERSON FREE LIBRARY
SCHEDULE OF LIBRARY PENSION CONTRIBUTIONS
NYSLRS PENSION PLAN
FOR THE 2018 FISCAL YEAR**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 260,717 | \$ 314,483 | \$ 287,294 | \$ 311,343 |
| Contributions in relation to the contractually required contribution | <u>260,717</u> | <u>314,483</u> | <u>287,294</u> | <u>311,343</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Library's covered-employee payroll | \$ 1,802,755 | \$ 1,777,940 | \$ 1,673,588 | \$ 1,736,449 |
| Contributions as a percentage of covered-employee payroll | 14.46% | 17.69% | 17.17% | 17.93% |

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

PORT JEFFERSON FREE LIBRARY
SCHEDULE OF CHANGES IN THE LIBRARY'S TOTAL OPEB
LIABILITY AND RELATED RATIOS

| | <u>2018</u> |
|--|----------------------------|
| Service Cost | \$ 185,783 |
| Interest | 176,217 |
| Changes of benefit terms | 0 |
| Differences between expected and actual experience | 0 |
| Changes in assumptions or other inputs | (215,346) |
| Benefit payments | <u>(175,994)</u> |
| Net Change in total OPEB liability | (29,340) |
| Total OPEB liability- beginning | <u>4,823,710</u> |
| Total OPEB liability- ending | <u><u>\$ 4,794,370</u></u> |
| Covered-employee payroll | \$ 1,262,288 |
| Total OPEB liability as a % of covered-employee payroll | 379.82% |

Notes to schedule:

Changes of benefit terms: None

Changes of assumptions: Discount rate changed from 3.58% as of June 30, 2017 to
3.87% as of June 30, 2018

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