

SMITHTOWN SPECIAL LIBRARY DISTRICT

**FINANCIAL REPORT
WITH
ADDITIONAL INFORMATION**

DECEMBER 31, 2022

SMITHTOWN SPECIAL LIBRARY DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
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	10-11
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	12-13
Notes to Financial Statements	14-36
Required Supplementary Information	
Budgetary Comparison Schedule- General Fund	37-39
Schedule of Proportionate Share of the Net Pension Liability	40
Schedule of Library Pension Contributions	41
Schedule of Changes in the Library's Total OPEB Liability and Related Ratios	42

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Smithtown Special Library District (the "Library") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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 Smithtown Special Library District, as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Smithtown Special Library District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Smithtown Special Library District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

INDEPENDENT AUDITOR'S REPORT

(Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

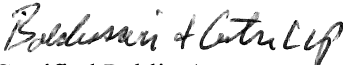
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Smithtown Special Library District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Smithtown Special Library District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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
April 4, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

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

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

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

- The *government-wide financial statement* columns provide both long-term and short-term information about the Library's overall financial status. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Condensed Financial Information:

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

	December 31,		Increase
	<u>2022</u>	<u>2021</u>	<u>(Decrease)</u>
Assets:			
Current assets	\$ 10,665,153	\$ 9,979,231	\$ 685,922
Net pension asset	1,898,927	0	1,898,927
Capital assets	<u>18,620,739</u>	<u>19,155,061</u>	<u>(534,322)</u>
Total Assets	<u>31,184,819</u>	<u>29,134,292</u>	<u>2,050,527</u>
Deferred Outflows of Resources	<u>10,503,680</u>	<u>9,860,591</u>	<u>643,089</u>
Liabilities:			
Long-term debt	35,296,432	39,871,301	(4,574,869)
Other liabilities	<u>691,849</u>	<u>569,712</u>	<u>122,137</u>
Total Liabilities	<u>35,988,281</u>	<u>40,441,013</u>	<u>(4,452,732)</u>
Deferred Inflows of Resources	<u>17,355,761</u>	<u>11,312,681</u>	<u>6,043,080</u>
Net Position:			
Net investment in capital assets	10,610,739	10,035,061	575,678
Restricted	50,118	47,804	2,314
Unrestricted	<u>(22,316,400)</u>	<u>(22,841,676)</u>	<u>525,276</u>
Total Net Position	<u>\$ (11,655,543)</u>	<u>\$ (12,758,811)</u>	<u>\$ 1,103,268</u>
Revenue:			
Tax revenues	\$ 15,485,969	\$ 15,178,409	\$ 307,560
Payments in lieu of taxes	258,938	252,847	6,091
Other revenue	<u>177,794</u>	<u>211,061</u>	<u>(33,267)</u>
Total Revenue	15,922,701	15,642,317	280,384
Expenses - Library Services	<u>14,819,433</u>	<u>14,709,782</u>	<u>109,651</u>
Change in net position	<u>1,103,268</u>	<u>932,535</u>	<u>170,733</u>
Net position - beginning of year	<u>(12,758,811)</u>	<u>(13,691,346)</u>	<u>932,535</u>
Net Position - End of Year	<u>\$ (11,655,543)</u>	<u>\$ (12,758,811)</u>	<u>\$ 1,103,268</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The Library As A Whole

- The Library's net position increased by \$1,103,268 this year. The primary reason for this increase is detailed within the Statement of Activities on pages twelve and thirteen.
- The Library's primary source of revenue is from property taxes, which represents 97.3 percent of total revenue. In the prior year, property taxes represented 97.0 percent of total revenue.
- As is typical of service agencies, salaries and benefits are a significant expense of the Library, representing 73.1 percent of the Library's total expenses (as per the Statement of Activities). This is a decrease as compared to the previous year when salaries and benefits represented 74.1 percent of total expenses.

The Library Funds:

Our analyses of the Library's major funds are included in the first three columns of pages 10 through 13 on the respective statements. The fund columns provide detailed information about the most significant funds – not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes and to maintain accountability for certain activities. The Library's major funds consist of the General Fund, the Special Revenue Fund, and the Debt Service Fund.

The fund balance of the General Fund increased during the year from \$8,662,922 to \$8,945,047. This is primarily the result of the budgetary highlights described below.

The fund balance of the Special Revenue Fund decreased during the year from \$638,497 to \$424,901.

The fund balance of the Debt Service Fund increased during the year from \$42,804 to \$45,018.

Budgetary Highlights:

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

- The revenue collected for payments in lieu of taxes was greater than expected. The Library estimates this income based on current assessments and information received from the Town of Smithtown.
- The Library collected fewer library charges and E-commerce fines than anticipated. In March 2022, the Library revised its circulation policy to suspend fines indefinitely for many of its materials.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Budgetary Highlights: (Continued)

- The Library received less interest income than expected because interest rates were lower than anticipated.
- The favorable variance in the refund of prior year expense budget line was due to receiving safety dividends from the Library's insurance company.
- The unemployment budget line was underspent by \$5,000. Since the Library is self-insured for unemployment, it felt it was prudent to budget for the possibility that claims would be submitted. Fortunately, the Library did not receive any claims that required reimbursement.
- In total, the Library materials and programs budget section was underspent by \$98,883. The Library attributes this to a decrease in demand for physical materials, as well as a significant reduction in patron attendance at programs.
- The budget line for telecommunications was underspent by \$27,036. This was primarily due to receiving a large e-rate reimbursement. The Library generally budgets conservatively for these reimbursements because the amount received is not guaranteed from year to year.
- The budget lines for building and equipment repairs, as well as for building equipment, were both underspent. When you take into account the size and number of buildings, it is difficult to predict which mechanicals will fail and need to be repaired or replaced. Fortunately, fewer repairs and replacements were required than had been budgeted for.

Capital Assets:

During the fiscal year ending December 31, 2022 the Library made numerous improvements to the building and purchased a variety of furniture, fixtures, and equipment. The total cost of these items, based on the fund method of accounting, was \$479,682. However, for purposes of GASB 34, only \$385,517 of the improvements, furniture, fixtures, and equipment purchases were in excess of the \$1,000 capital limit and subject to depreciation.

Debt Administration:

Long term debt consisted of bonds payable, the obligation for other post-employment benefits, the NYS retirement incentive payable and the liability the Library has to its employees for unused sick and vacation time (compensated absences). The Library began the year with total long-term debt of \$39,871,301. This debt decreased during the year by the net of 4,574,869. The largest component of this decrease was related to the obligation for other post-employment benefits. The total long-term debt at December 31, 2022 was \$35,296,432. Of this total, \$1,252,551 is due to be paid within the next twelve months.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Currently Known Conditions:

The Library budget vote for the 2023 fiscal year was approved by the taxpayers. The anticipated tax revenues will be \$15,816,499. This represents a 2.16% increase over the 2022 fiscal year budget.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AS OF DECEMBER 31, 2022**

	General Fund	Special Revenue Fund	Debt Service Fund	Total	Adjustments (Note 13)	Statement of Net Position
Assets:						
Cash and cash equivalents	\$ 9,535,214	\$ 418,061	\$	\$ 9,953,275	\$	\$ 9,953,275
State Aid, grants and other receivables	27,941	21,552		49,493		49,493
Internal receivables	14,712		41,819	56,531	(56,531)	
Prepaid expenses	446,018			446,018		446,018
Accrued interest	12,918			12,918		12,918
Cash - held by fiscal agent			203,449	203,449		203,449
Net pension asset (note 7)					1,898,927	1,898,927
Capital assets, net of accumulated depreciation					18,620,739	18,620,739
Total Assets	<u>10,036,803</u>	<u>439,613</u>	<u>245,268</u>	<u>10,721,684</u>	<u>20,463,135</u>	<u>31,184,819</u>
Deferred Outflows of Resources (note 9)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,503,680</u>	<u>10,503,680</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 10,036,803</u>	<u>\$ 439,613</u>	<u>\$ 245,268</u>	<u>\$ 10,721,684</u>	<u>\$ 30,966,815</u>	<u>\$ 41,688,499</u>
Liabilities:						
Accounts payable	\$ 191,955	\$	\$	\$ 191,955	\$	\$ 191,955
Accrued payroll and related items	299,644			299,644		299,644
Accrued interest payable			200,250	200,250		200,250
Internal payables	41,819	14,712		56,531	(56,531)	
Non-current liabilities:						
Compensated absences payable (note 5)					1,780,987	1,780,987
NYS retirement incentive payable (note 7)					130,615	130,615
Obligation for other post-employment benefits (note 8)					25,374,830	25,374,830
Bonds payable (note 10)					8,010,000	8,010,000
Total Liabilities	<u>\$ 533,418</u>	<u>\$ 14,712</u>	<u>\$ 200,250</u>	<u>\$ 748,380</u>	<u>\$ 35,239,901</u>	<u>\$ 35,988,281</u>

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

**SMITHTOWN SPECIAL LIBRARY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AS OF DECEMBER 31, 2022**

	General Fund	Special Revenue Fund	Debt Service Fund	Total	Adjustments (Note 13)	Statement of Net Position
Deferred Inflows of Resources (note 9)	\$ 558,338	\$ 0	\$ 0	\$ 558,338	\$ 16,797,423	\$ 17,355,761
Fund Balances/Net Position:						
Nonspendable	446,018			446,018	(446,018)	
Restricted for specific purposes (note 12)		5,100	45,018	50,118	(50,118)	
Committed for specific purposes (note 11)	1,035,162	114,850		1,150,012	(1,150,012)	
Assigned for the 2023 budget	1,029,599			1,029,599	(1,029,599)	
Assigned for programs and projects		304,951		304,951	(304,951)	
Unassigned	6,434,268			6,434,268	(6,434,268)	
Total Fund Balance	<u>8,945,047</u>	<u>424,901</u>	<u>45,018</u>	<u>9,414,966</u>	<u>(9,414,966)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,036,803</u>	<u>\$ 439,613</u>	<u>\$ 245,268</u>	<u>\$ 10,721,684</u>		
Net Position:						
Net investment in capital assets					10,610,739	10,610,739
Restricted for specific purposes					50,118	50,118
Unrestricted					<u>(22,316,400)</u>	<u>(22,316,400)</u>
Total Net Position					<u>\$ (11,655,543)</u>	<u>\$ (11,655,543)</u>

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

**SMITHTOWN SPECIAL LIBRARY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General Fund	Special Revenue Fund	Debt Service Fund	Total	Adjustments (Note 13)	Statement of Activities
Revenues:						
District taxes	\$ 15,485,969	\$	\$	\$ 15,485,969	\$	15,485,969
Payments in lieu of taxes	258,938			258,938		258,938
State aid and grants	33,602	12,983		46,585		46,585
Charges for services	46,143			46,143		46,143
Investment income	36,486		2,214	38,700		38,700
Gifts and donations	2,058	10,155		12,213		12,213
Other income	34,153			34,153		34,153
Total Revenues	15,897,349	23,138	2,214	15,922,701	0	15,922,701
Expenditures/Expenses For Library Services:						
Salaries and wages	7,457,705			7,457,705	71,152	7,528,857
Employee benefits	3,720,283			3,720,283	(414,442)	3,305,841
Library materials and programs	1,094,817	10,055		1,104,872		1,104,872
Library operations	965,520			965,520		965,520
Building operations	585,646			585,646		585,646
Capital outlay	141,803	337,879		479,682	(385,517)	94,165
Depreciation					919,839	919,839
Debt service:						
Principal			1,110,000	1,110,000	(1,110,000)	
Interest			428,250	428,250	(113,557)	314,693
Total Expenditures/Expenses	13,965,774	347,934	1,538,250	15,851,958	(1,032,525)	14,819,433

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

SMITHTOWN SPECIAL LIBRARY DISTRICT
 STATEMENT OF ACTIVITIES AND GOVERNMENTAL
 FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Special Revenue Fund	Debt Service Fund	Total	Adjustments (Note 13)	Statement of Activities
Excess (Deficiency) Of Revenues Over Expenditures	\$ 1,931,575	\$ (324,796)	\$ (1,536,036)	\$ 70,743	\$ 1,032,525	
Other Financing Sources/(Uses):						
Transfers- internal activities	<u>(1,649,450)</u>	<u>111,200</u>	<u>1,538,250</u>	<u>0</u>	<u>0</u>	
Excess (Deficiency) Of Revenues And Other Financing Sources Over Expenditures	282,125	(213,596)	2,214	70,743	<u>(70,743)</u>	
Change In Net Position					1,103,268	1,103,268
Fund balance/net position- beginning of the year	<u>8,662,922</u>	<u>638,497</u>	<u>42,804</u>	<u>9,344,223</u>	<u>(22,103,034)</u>	<u>(12,758,811)</u>
Fund Balance/Net Position- End Of The Year	<u>\$ 8,945,047</u>	<u>\$ 424,901</u>	<u>\$ 45,018</u>	<u>\$ 9,414,966</u>	<u>\$ (21,070,509)</u>	<u>\$ (11,655,543)</u>

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

SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1: Summary of Significant Accounting Policies

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

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

The following is a summary of the significant accounting policies:

- A. **Reporting Entity:** The Smithtown Special Library District is comprised of one main library building located in Smithtown and three local branches located in Commack, Kings Park and Nesconset. The Library coordinates the raising of its real estate tax revenues with the Town of Smithtown. The Library Board of Trustees is responsible for the approval of the proposed annual budget and oversight of the Library management’s control and disbursement of funds and maintenance of assets. The Library’s management is solely responsible for day-to-day operations.
- B. **Management Focus, Basis of Accounting and Financial Statement Presentation:** The Library’s basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library’s major funds).

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

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

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

General Fund: This fund is established to account for resources devoted to the general services that the Library performs for its taxpayers. General tax revenues and other sources of revenues used to finance the fundamental operation of the Library are included in this fund.

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

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

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

SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

- D. Receivables:** Receivables are shown net of allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such an allowance would not be material.
- E. Fund Balance Classifications:** The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* that defines the different types of fund balances that a governmental entity must use for financial reporting purposes. They are as follows:
- Nonspendable:** This includes amounts that cannot be spent because they are either not in spendable form (i.e., inventories, prepaid expenses, etc.) or they are legally or contractually required to be maintained intact.
- Restricted:** This includes amounts with constraints placed on the use of resources. These constraints can be externally imposed by creditors, grantors, contributors, or imposed by laws and regulations.
- Committed:** This includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Library's Board. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- Assigned:** This includes amounts that are constrained by the Library's intent to be used for specific purposes but are neither restricted nor committed. The Library Board is not required to impose or remove the constraint. Assignments of fund balance cannot be made if it would result in a negative unassigned fund balance.
- Unassigned:** This includes the residual classification for the Library's general fund. This classification represents fund balance that has not been assigned to other funds, assigned for specific purposes, restricted, or committed.
- F. Use of Restricted/Unrestricted Net Position:** When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Library's policy is to apply restricted net position first.
- G. Cash and Cash Equivalents:** The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

H. Capital Assets: Capital assets are defined by the Library as assets with an initial cost of \$1,000 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Library books and materials are not capitalized. All capital assets, except land and the art collection, are depreciated on the straight-line basis over the following estimated useful lives:

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

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

J. 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 and obligations of the United States of America and New York State.

NOTE 2: **Concentration of Credit Risk**

The Library maintains its cash balances at one bank. At year end, the Library's carrying amount of deposits (excluding the cash held by the fiscal agent, treasury bills of \$6,009,195 and petty cash) was \$3,942,908 and the bank balance was \$4,010,605. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remaining balance of \$3,510,605 was covered by collateral held by the Library's agent.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3: Capital Assets

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

	Balance as of 1/1/2022	Additions	Adjustments & Deletions	Balance as of 12/31/2022
Assets not being depreciated:				
Land	\$ 1,408,073	\$ 0	\$ 0	\$ 1,408,073
Art Collection	181,000	0	0	181,000
Construction in progress	210,260	42,810	(210,260)	42,810
Other capital assets:				
Buildings and improvements	25,467,123	8,950	93,990	25,570,063
Land improvements	806,381	262,884	116,270	1,185,535
Fixtures	911,334	59,042	(8,014)	962,362
Furniture and equipment	1,104,838	11,831	(23,717)	1,092,952
Total	30,089,009	385,517	(31,731)	30,442,795
Accumulated depreciation	(10,933,948)	(919,839)	31,731	(11,822,056)
Net Book Value	\$ <u>19,155,061</u>	\$ <u>(534,322)</u>	\$ <u>0</u>	\$ <u>18,620,739</u>

NOTE 4: Long Term Debt

The following is a summary of changes in long-term debt for the period ended December 31, 2022:

	Balance 1/1/2022	Increases	Reductions	Balance 12/31/2022	Non-current liabilities	
					Due within one year	Due after one year
Compensated absences	\$ 1,704,392	\$ 76,595	\$ 0	\$ 1,780,987	\$ 2,665	\$ 1,778,322
Other post-employment benefits payable	28,817,343	0	3,442,513	25,374,830	0	25,374,830
Net pension liability	21,696	0	21,696	0	0	0
NYS retirement incentive payable	207,870	0	77,255	130,615	79,886	50,729
General obligation bonds	9,120,000	0	1,110,000	8,010,000	1,170,000	6,840,000
	\$ <u>39,871,301</u>	\$ <u>76,595</u>	\$ <u>4,651,464</u>	\$ <u>35,296,432</u>	\$ <u>1,252,551</u>	\$ <u>34,043,881</u>

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5: Compensated Absences Payable

The Library has an accumulated liability as of December 31, 2022 for unused vacation and sick pay amounting to \$1,780,987. This is an increase of \$76,595 from the December 31, 2021 balance of \$1,704,392. The Library expects to pay \$2,665 of this liability within the next twelve months.

NOTE 6: Interfund Transactions

Interfund balances and activities at December 31, 2022 are as follows:

	Interfund Activity			
	<u>Receivable</u>	<u>Payable</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 14,712	\$ 41,819	\$ 0	\$ 1,649,450
Special Revenue Fund	0	14,712	111,200	0
Debt Service Fund	41,819	0	1,538,250	0
Total	<u>\$ 56,531</u>	<u>\$ 56,531</u>	<u>\$ 1,649,450</u>	<u>\$ 1,649,450</u>

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

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7: Retirement Plan

Plan Description and Benefits Provided: The Smithtown Special Library District participates in the New York State and Local Employees' Retirement System (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2018, he was elected for a new term commencing January 1, 2019. 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 Smithtown Special Library District also participates in the Public Employees' Group Term Life Insurance plan (GTLI), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. Separately issued financial statements for the System can be accessed on the Comptroller's website at www.osc.state.ny.us/retire/about_us/financial_statements_index.php.

- 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.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7: Retirement Plan (Continued)

B. Benefits Provided: (Continued)

Tiers 1 and 2 (Continued)

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, 4 and 5 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 full benefit age for Tiers 3, 4 and 5 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 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 5 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 5 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.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7: Retirement Plan (Continued)

B. Benefits Provided: (Continued)

Tier 6 (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 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 5 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.

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.

SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7: **Retirement Plan (Continued)**

B. **Benefits Provided: (Continued)**

Post-Retirement Benefit Increases (Continued)

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 \$965,486, for the 2021 fiscal year it was \$1,034,654 and for the 2020 fiscal year it was \$943,671.

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

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

SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7: Retirement Plan (Continued)

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

During the year ended December 31, 2013, the Library opted to participate in this program. In the current year \$29,647 was charged to expenditures in the governmental funds. The unpaid liability at December 31, 2022 is \$30,742, plus interest at 3.7% and is reported as a non-current liability in the government wide statements.

During the year ended December 31, 2014, the Library also opted to participate in this program. In the current year \$47,608 was charged to expenditures in the governmental funds. The unpaid liability at December 31, 2022 is \$99,873, plus interest at 3.15% and is reported as a non-current liability in the government wide statements.

- D. **Pension Liabilities, Pension Expenses, Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions:** At December 31, 2022, the Smithtown Special Library District reported an asset of \$1,898,927 for its proportionate share of the net pension asset. The net pension asset was measured as of March 31, 2022, and the total pension asset was determined by an actuarial valuation as of that date. The Smithtown Special Library District's proportion of the net pension asset was based on a projection of the Smithtown Special Library District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2022, the Smithtown Special Library District's proportion was 0.0232296 percent, which was an increase of .0014406 percent from its proportion measured at December 31, 2021.

For the year ended December 31, 2022, the Smithtown Special Library District recognized pension expense of \$70,806.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7: Retirement Plan (Continued)

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

At December 31, 2022, the Smithtown Special Library District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 143,808	\$ 186,528
Changes in assumptions	3,169,096	53,475
Net difference between projected and actual investment earnings on pension plan investments	0	6,218,189
Changes in proportion and differences between employer contributions and proportionate share of contributions	126,343	113,512
Library's contributions subsequent to the measurement date	725,477	0
Total	\$ 4,164,724	\$ 6,571,704

\$725,477 reported as deferred outflows of resources related to pensions resulting from Smithtown Special Library District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount Recognized</u>
2023	\$ (488,471)
2024	(700,031)
2025	(1,612,920)
2026	(331,035)
2027	0
Total	\$ (3,132,457)

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7: Retirement Plan (Continued)

E. Actuarial Assumptions:

The total pension asset at March 31, 2022 was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension asset to March 31, 2022. The actuarial valuation used the following actuarial assumptions:

Inflation	2.70%
Salary increases	4.40%
Investment rate of return (net of investment expense, including inflation)	5.90%
Cost of living adjustments	1.40%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2020 used the same assumptions to measure the total pension asset.

The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7: Retirement Plan (Continued)

E. Actuarial Assumptions: (Continued)

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	32.00%	3.30%
International equity	15.00%	5.85%
Private equity	10.00%	6.50%
Real estate	9.00%	5.00%
Opportunistic portfolio	3.00%	4.10%
Credit	4.00%	3.78%
Real assets	3.00%	5.80%
Fixed income	23.00%	0.00%
Cash	1.00%	(1.00%)
Total	<u>100.00%</u>	

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

Discount Rate – The discount rate used to measure the total pension liability (asset) was 5.9%. 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 determined. Based upon those 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 asset.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7: Retirement Plan (Continued)

E. Actuarial Assumptions: (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to the Discount Rate Assumption – The following presents the current-period net pension liability (asset) of the Library, calculated using the current-period discount rate assumption of 5.9 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 (4.9 percent) or 1 percentage-point higher (6.9 percent) than the current assumption:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Library's proportionate share of the net pension liability (asset)	\$ 4,887,817	\$ (1,898,927)	\$ (7,575,710)

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, 2022, in thousands of dollars was as follows:

	Total
Employers' total pension liability	\$ 223,874,888
Plan net position	(232,049,473)
Employers' net pension asset	\$ (8,174,585)
Ratio of plan net position to the Employers' total pension liability	103.65%

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8: Post-employment Benefits Other Than Pensions

- A. **Plan Description:** The New York State Department of Civil Service (DCS) administers the New York Health Insurance Program (NYSHIP) which provides health insurance to current and retired employees of New York State, and participating public authorities and local governmental units, such as the Smithtown Special Library District. NYSHIP offers comprehensive hospital, medical and prescription drug benefits. As administrator of NYSHIP, the DCS performs all administrative tasks and has the authority to establish and amend the benefit provisions offered. Annual benefit premiums charged to and paid by participating local governmental entities are generally the same, regardless of each individual employer's risk profile. The annual benefit premiums collected by DCS are then remitted to the health insurance carriers that comprise NYSHIP. NYSHIP is considered an agent multiple-employer defined benefit plan, it is not a separate entity or trust, and does not issue stand-alone financial statements. In 2017, The Library entered into an agreement with Hartford Insurance Company as an additional provider of retiree health insurance. The Library, as a participant in both plans, recognizes these postemployment benefits on an accrual basis.
- B. **Benefits Provided:** Contribution requirements are determined by the Library Board. Currently, providing that the employee has completed at least 11 years of service as of December 31, 2017, the Library will pay 100% of the cost for the retiree and 100% for the spouse, less \$100 per month. For active employees that have completed less than 11 years of service as of December 31, 2017, the retiree will contribute towards their healthcare premiums at the same rate at the time of their active employment immediately prior to retirement, according to the following schedule:

<u>Year of Retirement</u>	<u>Retiree Contribution</u>
2018	18.00%
2019	18.50%
2020	19.00%
2021	19.50%
2022+	20.00%

For 2022, The Library recognized the cost of providing retiree health insurance by recording its share of insurance premiums of \$707,297 as an expenditure in the General Fund. Smithtown Special Library District also reimbursed retired employees and their spouses the full cost of Medicare deducted from their Social Security benefits, which amounted to \$144,847. The retiree's share of premiums for health insurance was \$14,488.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

B. Benefits Provided: (Continued)

As of January 1, 2022, the following employees were covered by the benefit terms:

Active employees	73
Inactive employees entitled to but not yet receiving benefit payments	0
Inactive employees or beneficiaries currently receiving benefit payments	<u>82</u>
Total	<u><u>155</u></u>

C. Total Other Post-employment Benefit (OPEB) Liability: The Library's total OPEB liability of \$25,374,830 was updated through December 31, 2022, and was determined by an actuarial valuation as of January 1, 2022.

D. Actuarial Assumptions and Other Inputs:

Inflation Rate	2.00%
Payroll Growth Rate	2.50%
Discount Rate	3.72%
2022 Medical Trend Rates (Pre-65/Post-65)	7.00% / 5.00%
2023 Medical Trend Rates (Pre-65/Post-65)	6.50% / 5.00%
Ultimate Medical Trend Rate	5.00%
Year Ultimate Trend Year Reached (Pre-65/Post-65)	2027/2022

The discount rate was based on the *Bond-Buyer's 20-Bond Index* as of December 31, 2022.

Mortality rates were based on the Society of Actuaries' RPH-2014 Total Dataset head count-weighted fully generational with the MP-2021 projection scale.

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

E. Changes In The Total OPEB Liability:

Balance at December 31, 2021	\$ <u>28,817,343</u>
Changes for the year:	
Service cost	1,291,818
Interest	663,095
Changes in benefit terms	0
Differences between expected and actual experience	3,176,602
Changes in assumptions and other inputs	(7,542,695)
Benefit payments	<u>(1,031,333)</u>
Net changes	<u>(3,442,513)</u>
Balance at December 31, 2022	\$ <u><u>25,374,830</u></u>

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 (2.72%) or 1 percentage point higher (4.72%) than the current discount rate:

	1% Decrease (2.72%)	Discount Rate (3.72%)	1% Increase (4.72%)
Total OPEB Liability	\$ 29,274,174	\$ 25,374,830	\$ 22,197,714

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 (5.50% decreasing to 4.00%) or 1 percentage point higher (7.50% decreasing to 6.00%) than the current healthcare cost trend rate:

	1% Decrease (5.50% Decreasing to 4.00%)	Healthcare Cost Trend Rate (6.50% Decreasing to 5.00%)	1% Increase (7.50% Decreasing to 6.00%)
Pre-65 Trend			
Post-65 Trend			
Total OPEB Liability	\$ 21,507,775	\$ 25,374,830	\$ 30,405,030

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8: 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 plan changes. The assumption changes were the updating of the pre-65 healthcare cost trend rates and the mortality improvement scale. The discount rate was 2.06% at December 31, 2021 and was 3.72% at December 31, 2022.

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of resources Related to OPEB: For the year ending December 31, 2022, the Library recognized OPEB expense of \$1,497,070. At December 31, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,757,525	\$ 2,421,055
Changes in assumptions	<u>3,213,886</u>	<u>7,102,547</u>
Total	<u>\$ 5,971,411</u>	<u>\$ 9,523,602</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 December 31,</u>	<u>Amount Recognized</u>
2023	\$ (457,843)
2024	(303,599)
2025	(439,009)
2026	(904,823)
2027	(538,692)
Thereafter	<u>(908,225)</u>
Total	<u>\$ (3,552,191)</u>

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9: Deferred Outflows/Inflows of Resources

The components of the deferred outflows and inflows of resources at December 31, 2022 are as follows:

<u>Description of Deferrred Outflows/Inflows</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Related to Pension (see note 7)	\$ 4,164,724	\$ 6,571,704
Tax revenues received in advance	0	558,338
Related to post-employment benefits (see Note 8)	5,971,411	9,523,602
Refunding of serial bonds	367,545	702,117
Total	<u>\$ 10,503,680</u>	<u>\$ 17,355,761</u>

NOTE 10: Bonds Payable

During the 2016 fiscal year, the Smithtown Special Library District issued \$14,865,000 in refunding serial bonds with interest rates ranging from 3.0% to 5.0%, depending on maturity. The proceeds were used to advance refund \$15,825,000 of outstanding 2008 serial bonds bearing interest rates at a rate ranging from 4.0% to 6.0%. The net proceeds of \$17,567,207 (including \$2,957,392 of issuance premium and after \$96,700 in underwriter's fees and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the bonds. As a result, the 2008 serial bonds are considered defeased and the liability for those serial bonds has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$255,185 in the governmental activities. These amounts and the premium are being amortized over the remaining life of the refunded debt. The Smithtown Special Library District advanced refunded the serial bonds to reduce its total debt service payments over 12 years by \$2,401,284 and to obtain a net present value economic gain of \$2,164,150. As of December 31, 2022, \$8,010,000 remained payable. Future payments are due each year as follows:

<u>Year Ended December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2023	\$ 1,170,000	\$ 400,500	\$ 1,570,500
2024	1,230,000	342,000	1,572,000
2025	1,295,000	280,500	1,575,500
2026	1,365,000	215,750	1,580,750
2027	1,435,000	147,500	1,582,500
2028	1,515,000	75,750	1,590,750
Total	<u>\$ 8,010,000</u>	<u>\$ 1,462,000</u>	<u>\$ 9,472,000</u>

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 11: Fund Balances Committed for Specific Purposes:

A summary of changes in committed funds for the year ending December 31, 2022 is as follows:

Funds Committed For:	Balance as of 1/1/2022	Funds Committed (Uncommitted)	Funds Expended	Balance as of 12/31/2022
General Fund				
Capital improvements and equipment replacement	\$ 569,000	\$ 138,800	\$ (47,638)	\$ 660,162
Retirement and future benefit payments	375,000	0	0	375,000
Special Revenue Fund				
Parking lot project	244,420	0	(244,420)	0
HVAC project	37,010	0	0	37,010
BMS project	0	111,200	(33,360)	77,840
Total	<u>\$ 1,225,430</u>	<u>\$ 250,000</u>	<u>\$ (325,418)</u>	<u>\$ 1,150,012</u>

NOTE 12: Funds Restricted for Specific Purposes

The components of the fund balance restricted for specific purposes as December 31, 2022 are as follows:

Funds Restricted For:	General Fund	Special Revenue Fund	Debt Service Fund	Total
Long Island Room	\$ 0	\$ 5,000	\$ 0	\$ 5,000
B. Trenk Memorial	0	100	0	100
Debt service	0	0	45,018	45,018
Total	<u>\$ 0</u>	<u>\$ 5,100</u>	<u>\$ 45,018</u>	<u>\$ 50,118</u>

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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	\$ 9,414,966
Amounts reported in the statement of net position are different because:	
• Capital assets are not financial resources, and are not reported in the funds	18,620,739
• Net pension asset is not included in the funds	1,898,927
• Deferred outflow on pension is not reported in the funds	4,164,724
• Deferred outflow on refunding of bonds	367,545
• Deferred outflow on OPEB is not reported in the funds	5,971,411
• Compensated absences, not anticipated to be paid within the next twelve months, are not included in the funds	(1,780,987)
• Obligation for post-employment health insurance, to be paid in future periods is not reported in the funds	(25,374,830)
• Liability for future installments due on the NYS retirement incentive are not included in the funds	(130,615)
• Deferred inflow on pension is not reported in the funds.	(6,571,704)
• Deferred inflow on OPEB is not reported in the funds	(9,523,602)
• Deferred inflow on refunding of bonds is not reported in the funds	(702,117)
• Bonds payable in future periods are not reported in the funds	<u>(8,010,000)</u>
Total Net Position- Full Accrual Basis	<u>\$(11,655,543)</u>

**SMITHTOWN SPECIAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Net Change in Fund Balance- Modified Accrual Basis	\$ 70,743
Amounts reported in the statement of activities are different because:	
<ul style="list-style-type: none"> • Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are expensed over their estimated useful lives as depreciation: <ul style="list-style-type: none"> Capital outlay 385,517 Depreciation expense (919,839) • (Increase)/decrease in the items reported as expenditures in the statements of activities, not in the fund statements: <ul style="list-style-type: none"> Compensated absences (76,595) Post-employment health costs (465,737) Net pension expenses 808,368 The amortization of the deferred refunding credit on the old bonds is not an expense in the funds 113,557 • Payments on the NYS retirement incentive is not an expense in the statement of activities, rather it is a reduction of the liability 77,254 • Repayment of principal on the bonds is not an expense in the statement of activities, rather it is a reduction of the liability <u>1,110,000</u> 	
Change In Net Position- Full Accrual Basis	<u>\$ 1,103,268</u>

**SMITHTOWN SPECIAL LIBRARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Balances</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Operating Revenues:				
District taxes	\$ 15,481,977	\$ 15,481,977	\$ 15,485,969	\$ 3,992
Payments in lieu of taxes	200,000	200,000	258,938	58,938
State aid and grants	33,300	33,300	33,602	302
Library charges	26,800	26,800	408	(26,392)
E-commerce fines	15,000	15,000	2,028	(12,972)
Patron print fees	15,000	15,000	11,369	(3,631)
Patron computer fees	500	500	401	(99)
Passport processing and other fees	21,000	21,000	20,271	(729)
Lost and paid	9,950	9,950	10,231	281
Copier commissions	2,000	2,000	1,435	(565)
Interest income	50,000	50,000	36,486	(13,514)
Gifts and donations	2,000	2,000	2,058	58
Refund of prior year expense	500	500	33,612	33,112
Miscellaneous	250	250	541	291
Total Operating Revenues	<u>15,858,277</u>	<u>15,858,277</u>	<u>15,897,349</u>	<u>39,072</u>
Non-Operating Revenue:				
Transfer from unappropriated fund balance	159,796	159,796	0	(159,796)
Total Revenues	<u>\$ 16,018,073</u>	<u>\$ 16,018,073</u>	<u>\$ 15,897,349</u>	<u>\$ (120,724)</u>
Expenditures:				
Salaries and Wages:				
Librarians, full-time	\$ 3,636,163	\$ 3,846,163	\$ 3,841,709	\$ 4,454
Librarians, part-time	462,367	462,367	435,818	26,549
Clerical staff, full-time	1,632,905	1,691,805	1,688,866	2,939
Clerical staff, part-time	639,232	639,232	605,168	34,064
Pages	260,369	287,369	287,079	290
Custodial staff, full-time	173,630	179,830	179,793	37
Custodial staff, part-time	198,880	198,880	192,745	6,135
Messenger/Groundskeeper	50,791	50,791	47,321	3,470
Sunday salaries	115,000	115,000	108,466	6,534
Accrued payroll compensation	150,000	75,000	70,740	4,260
Total Salaries and Wages	<u>\$ 7,319,337</u>	<u>\$ 7,546,437</u>	<u>\$ 7,457,705</u>	<u>\$ 88,732</u>

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

**SMITHTOWN SPECIAL LIBRARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Balances</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures: (Continued)				
Employee Benefits:				
State retirement	\$ 1,125,000	\$ 975,000	\$ 963,072	\$ 11,928
Social Security	549,286	564,286	543,257	21,029
Hospital & medical insurance	2,100,000	2,036,250	1,950,596	85,654
CSEA benefit fund	135,000	175,000	162,303	12,697
Workers' compensation insurance	95,700	96,200	96,167	33
Unemployment insurance	5,000	5,000	0	5,000
Employee Assistance Program	5,500	5,500	4,888	612
Total Employee Benefits	<u>4,015,486</u>	<u>3,857,236</u>	<u>3,720,283</u>	<u>136,953</u>
Library Materials and Programs:				
Books	290,000	294,300	262,614	31,686
Online materials and services	675,000	587,000	556,763	30,237
Recordings	95,000	90,700	81,633	9,067
Periodicals	40,000	43,000	42,242	758
Serials	57,000	57,000	49,419	7,581
Lost and paid	500	2,000	1,856	144
Non-book materials	14,200	14,200	11,839	2,361
Binding	500	500	0	500
Programs	105,000	105,000	88,451	16,549
Total Library Materials and Programs	<u>1,277,200</u>	<u>1,193,700</u>	<u>1,094,817</u>	<u>98,883</u>
Library Operations:				
Office and library supplies	86,500	60,000	60,686	(686)
Telecommunications	116,400	131,400	104,364	27,036
Shared network maintenance	78,000	78,000	73,721	4,279
Printing	30,000	30,000	28,375	1,625
SCLS member support	161,000	161,000	160,973	27
Postage	15,000	15,000	14,315	685
Travel and conference	8,000	9,250	9,127	123
Membership dues	4,000	4,500	4,284	216
Staff development	5,500	6,650	6,627	23
Maintenance of equipment/vehicles	5,000	5,000	3,701	1,299
Professional fees/security	405,000	525,000	480,527	44,473
Payroll processing	0	21,000	18,701	2,299
Miscellaneous	100	125	119	6
Total Library Operations	<u>\$ 914,500</u>	<u>\$ 1,046,925</u>	<u>\$ 965,520</u>	<u>\$ 81,405</u>

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

**SMITHTOWN SPECIAL LIBRARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Balances</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures: (Continued)				
Building Operations:				
Fuel and utilities	\$ 229,300	\$ 267,300	\$ 258,356	\$ 8,944
Insurance	96,000	104,725	103,632	1,093
Building and equipment repairs	200,000	230,000	207,294	22,706
Custodial supplies	20,000	19,000	16,364	2,636
Total Building Operations	<u>545,300</u>	<u>621,025</u>	<u>585,646</u>	<u>35,379</u>
Capital Outlay:				
Computer equipment	92,500	111,500	105,996	5,504
Building equipment	260,000	40,000	0	40,000
Other capital outlay	25,000	32,500	35,807	(3,307)
Total Capital Outlay	<u>377,500</u>	<u>184,000</u>	<u>141,803</u>	<u>42,197</u>
Total Expenditures	<u>14,449,323</u>	<u>14,449,323</u>	<u>13,965,774</u>	<u>483,549</u>
Other Financing Uses:				
Transfer to Special Revenue fund	0	0	111,200	111,200
Transfer to Debt Service fund	1,568,750	1,568,750	1,538,250	(30,500)
Total Other Financing Uses	<u>1,568,750</u>	<u>1,568,750</u>	<u>1,649,450</u>	<u>80,700</u>
Total Expenditures and Other Financing Uses	<u>16,018,073</u>	<u>16,018,073</u>	<u>15,615,224</u>	<u>402,849</u>
Excess Of Revenues Over Expenditures and Other Financing Uses	0	0	282,125	282,125
Budgetary fund balance- beginning of year	<u>8,662,922</u>	<u>8,662,922</u>	<u>8,662,922</u>	<u>8,662,922</u>
Budgetary Fund Balance- End Of Year	<u>\$ 8,662,922</u>	<u>\$ 8,662,922</u>	<u>\$ 8,945,047</u>	<u>\$ 8,945,047</u>

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

SMITHTOWN SPECIAL LIBRARY DISTRICT
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 NYSLRS PENSION PLAN
 FOR THE 2022 FISCAL YEAR**

	2022	2021	2020	2019	2018	2017	2016	2015
Library's proportion of the net pension liability (asset)	0.02323%	0.02179%	0.02154%	0.02161%	0.02210%	0.02224%	0.02238%	0.02148%
Library's proportionate share of the net pension liability (asset)	\$ (1,898,927)	\$ 21,696	\$ 5,704,951	\$ 1,531,338	\$ 713,318	\$ 2,089,502	\$ 3,592,063	\$ 725,674
Library's covered-employee payroll	\$ 6,296,346	\$ 6,029,846	\$ 6,008,788	\$ 5,804,307	\$ 5,639,232	\$ 5,631,188	\$ 5,559,012	\$ 5,809,803
Library's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(30.159%)	0.360%	94.943%	26.383%	12.649%	37.106%	64.617%	12.491%
Plan fiduciary net position as a percentage of the total pension liability	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.95%

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

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

SMITHTOWN SPECIAL LIBRARY DISTRICT
 SCHEDULE OF LIBRARY PENSION CONTRIBUTIONS
 NYSLRS PENSION PLAN
 FOR THE 2022 FISCAL YEAR

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 965,486	\$ 1,034,654	\$ 943,671	\$ 911,626	\$ 906,247	\$ 917,016	\$ 938,458	\$ 1,080,989
Contributions in relation to the contractually required contribution	<u>965,486</u>	<u>1,034,654</u>	<u>943,671</u>	<u>911,626</u>	<u>906,247</u>	<u>917,016</u>	<u>938,458</u>	<u>1,080,989</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Library's covered-employee payroll	\$ 6,296,346	\$ 6,029,846	\$ 6,008,788	\$ 5,804,307	\$ 5,639,232	\$ 5,631,188	\$ 5,559,012	\$ 5,809,803
Contributions as a percentage of covered-employee payroll	15.33%	17.16%	15.70%	15.71%	16.07%	16.28%	16.88%	18.61%

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

**SMITHTOWN SPECIAL LIBRARY DISTRICT
SCHEDULE OF CHANGES IN THE LIBRARY'S TOTAL OPEB
LIABILITY AND RELATED RATIOS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 1,291,818	\$ 1,113,941	\$ 918,683	\$ 749,247	\$ 864,033
Interest	663,095	602,922	689,028	984,273	886,224
Changes of benefit terms	0	0	0	0	0
Differences between expected and actual experience	3,176,602	0	(4,245,970)	0	0
Changes in assumptions or other inputs	(7,542,695)	263,025	1,638,215	5,327,527	(2,327,865)
Benefit payments	<u>(1,031,333)</u>	<u>(971,471)</u>	<u>(967,365)</u>	<u>(1,073,469)</u>	<u>(1,054,923)</u>
Net Change in total OPEB liability	(3,442,513)	1,008,417	(1,967,409)	5,987,578	(1,632,531)
Total OPEB liability- beginning	<u>28,817,343</u>	<u>27,808,926</u>	<u>29,776,335</u>	<u>23,788,757</u>	<u>25,421,288</u>
Total OPEB liability- ending	<u>\$ 25,374,830</u>	<u>\$ 28,817,343</u>	<u>\$ 27,808,926</u>	<u>\$ 29,776,335</u>	<u>\$ 23,788,757</u>
Covered-employee payroll	\$ 5,603,864	\$ 4,933,331	\$ 4,813,006	\$ 4,815,457	\$ 4,698,007
Total OPEB liability as a % of covered-employee payroll	452.81%	584.14%	577.79%	618.35%	506.36%
Notes to schedule:					
Assumption changes:					
Discount rate	3.72%	2.06%	2.12%	2.74%	4.10%
Mortality Improvement Scale	MP-2021	MP-2019	MP-2019	MP-2016	MP-2016
Pre-65 Trend Rate	7.0% down to 5.0%	7.0% down to 4.5%	7.5% down to 4.5%	8.0% down to 5.0%	8.5% down to 5.0%
Plan changes:	None	None	None	None	None

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