

SEAFORD PUBLIC LIBRARY

TOWN OF HEMPSTEAD, NEW YORK

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2020
TOGETHER WITH AUDITOR'S REPORTS**

**SEAFORD PUBLIC LIBRARY
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Seaford Public Library
Town of Hempstead, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Seaford Public Library (the "Library") as of and for the year ended June 30, 2020, and the related notes to 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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.

NawrockiSmith

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 the major fund of the Seaford Public Library as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in conformity 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 and required supplementary information, on pages 3-8 and 34-37 respectively, 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 ("GASB"), who considers it to be an essential part of financial reporting for placing the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2020 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Melville, New York
October 9, 2020



**SEAFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

The following is a discussion and analysis of the Library's financial performance for the fiscal year ended June 30, 2020. This section is a summary of the Library's financial activities based on currently known facts, decisions or conditions. It is also based on both the entity-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Library's financial statements, which immediately follow this section.

PROGRAM AND FINANCIAL HIGHLIGHTS

- The extent of the impact of COVID-19 on the Library's operational and financial performance, and cash flow needs will depend on certain developments, including the duration and spread of the outbreak, impact on funding sources, employees and vendors, all of which are uncertain and cannot be predicted as of the date of these financial statements.
- As of June 30, 2020, the Library had total assets and deferred outflows of resources of \$4,881,702, total liabilities and deferred inflows of resources of \$5,398,013 and a net deficit position of \$516,311.
- On the full accrual basis of accounting, total revenues for the year ended June 30, 2020 were \$2,442,952 and total expenses were \$2,494,537 resulting in a negative change in net position of \$51,585.
- As of June 30, 2020, the Library's General Fund had fund balance totaling \$1,928,021, which was a decrease of \$119,050.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: required supplementary information including management's discussion and analysis (this section) and the financial statements. The financial statements include two kinds of financial statements that present different views of the Library:

- The first two financial statements are *entity-wide* financial statements that provide both *short-term* and *long-term* information about the Library's *overall* financial status.
- The remaining financial statements are *fund financial statements* that focus on *individual parts* of the Library, reporting the Library's operations in *more detail* than the entity-wide financial statements.
 - The *fund financial statements* tell how the Library's program services and support functions 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 financial statements are followed by a section of supplementary information that further explains and supports the financial statements with a comparison of the Library's budget for the year.

Figure A-1 summarizes the major features of the Library's financial statements, including the portion of the Library's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the financial statements.

**SEAFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Figure A-1 Major Features of the Entity-Wide and Fund Financial Statements

	Entity-Wide	Fund
Scope	Entire Library	The current activities of the Library
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and change in fund balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter, no capital assets, or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Entity-Wide Financial Statements

The entity-wide financial statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Library's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two entity-wide financial statements report the Library's net position and how it has changed. Net position, the difference between the Library's assets, deferred outflows of resources, liabilities and deferred inflows of resources, is one way to measure the Library's financial health.

- Over time, increases or decreases in the Library's net position are an indicator of whether its financial status is improving or deteriorating, respectively.
- To assess the Library's overall health, you need to consider additional nonfinancial factors such as changes in the Library's property tax base, changes in population and the condition of facilities.

In the entity-wide financial statements, the Library's activities are shown as *governmental activities*. Most of the Library's basic services are included here, such as regular and special programs for the community, and administration. Property taxes finance most of these activities.

**SEAFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Fund Financial Statements

The fund financial statements provide more detailed information about the Library's funds, focusing on its most significant or "major" funds - not the Library as a whole. Funds are accounting devices the Library uses to keep track of specific sources of funding and spending on particular programs. Most of the Library's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the entity-wide financial statements, reconciliations of the entity-wide and fund financial statements are provided which explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

The Library's net position decreased by 11.1% from the year before to (\$516,311) as detailed in Tables A-2 and A-3.

	<u>06/30/19</u>	<u>06/30/20</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 2,124,164	\$ 1,999,136	\$ (125,028)	(5.9)
Capital assets, net	<u>1,071,476</u>	<u>1,501,550</u>	<u>430,074</u>	40.1
Total assets	<u>3,195,640</u>	<u>3,500,686</u>	<u>305,046</u>	9.5
Deferred outflows of resources	<u>322,981</u>	<u>1,381,016</u>	<u>1,058,035</u>	327.6
Current liabilities	77,093	71,115	(5,978)	(7.8)
Long-term liabilities	<u>3,697,580</u>	<u>4,614,293</u>	<u>916,713</u>	24.8
Total liabilities	<u>3,774,673</u>	<u>4,685,408</u>	<u>910,735</u>	24.1
Deferred inflows of resources	<u>208,674</u>	<u>712,605</u>	<u>503,931</u>	241.5
Net position:				
Net investment in capital assets	1,071,476	1,501,550	430,074	40.1
Restricted	1,464,802	1,443,596	(21,206)	(1.4)
Unrestricted	<u>(3,001,004)</u>	<u>(3,461,457)</u>	<u>(460,453)</u>	(15.3)
Total net position	<u>\$ (464,726)</u>	<u>\$ (516,311)</u>	<u>\$ (51,585)</u>	(11.1)

Changes in Net Position

The Library's fiscal year 2020 revenues totaled \$2,442,952, which is 8.8% higher than fiscal year 2019 (see Table A-3), due to increases in real property taxes, operating grants and interest income. Property taxes account for 86% of total revenues (see Table A-4). The majority of the remainder came from building rent and operating grants.

The Library's fiscal year 2020 expenses totaled \$2,494,537, which is 22.8% more than fiscal year 2019 (see Table A-3). Expenses increased due to changes in factors for other post-employment benefits.

**SEAFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Table A-3: Changes in Net Position from Operating Results

	<u>06/30/19</u>	<u>06/30/20</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Real property taxes	\$ 2,078,186	\$ 2,100,846	\$ 22,660	1.1
Building rental income	88,677	70,442	(18,235)	(20.6)
Charges for services	18,716	11,759	(6,957)	(37.2)
Operating grants	19,945	220,881	200,936	1,007.5
Interest income	22,716	24,221	1,505	6.6
Miscellaneous	17,702	14,803	(2,899)	(16.4)
Total revenues	<u>2,245,942</u>	<u>2,442,952</u>	<u>197,010</u>	8.8
Expenses				
Public library services	<u>2,031,341</u>	<u>2,494,537</u>	<u>463,196</u>	22.8
Total expenses	<u>2,031,341</u>	<u>2,494,537</u>	<u>463,196</u>	22.8
Increase (Decrease) in net position	214,601	(51,585)	(266,186)	(124.0)
Net Position (deficit), beginning of year	<u>(679,327)</u>	<u>(464,726)</u>	<u>214,601</u>	31.6
Net position (deficit) end of year	<u>\$ (464,726)</u>	<u>\$ (516,311)</u>	<u>\$ (51,585)</u>	(11.1)

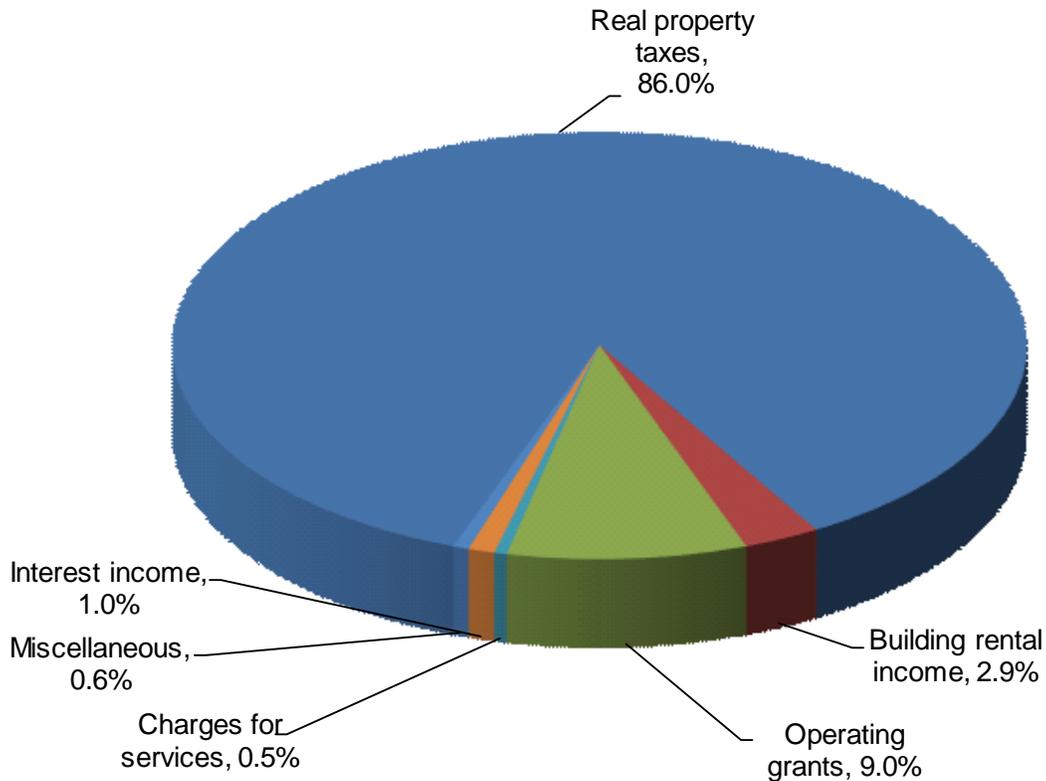
Revenues were less than the expenses from the Library's governmental activities which resulted in an decrease in net position of \$51,585 for the 2020 fiscal year.

The Library's financial condition can continue to be credited to:

- Continued leadership of the Library's Board of Trustees and administration;
- Approval of the Library's proposed annual budget; and
- Community support of the services provided by the Library.

**SEAFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Figure A-4: Sources of Revenues for Fiscal Year 2020



General Fund Budgetary Highlights

The Library's General Fund budget for the 2019-20 fiscal year was authorized by the voters in the amount of \$2,330,207.

The Library's actual revenues and expenses were less than budgeted revenues and expenses for the fiscal year in the amount of \$9,314.

- Actual revenues were \$222,481 more than budgetary projections.
- Actual expenditures were \$231,795 more than budget.

A schedule showing the budget amounts compared to the Library's actual financial activity for the General Fund is provided in this report as a required supplementary schedule (page 34).

**SEAFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2020, the Library had invested \$1,501,550, net of depreciation, in a broad range of capital assets including building improvements, books and other holdings as well as equipment and technology.

	<u>06/30/19</u>	<u>06/30/20</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 27,000	\$ 27,000	\$ -	-
Construction-in-progress	39,100	2,900	(36,200)	(92.6)
Building and permanent fixtures	538,313	986,499	448,186	83.3
Machinery and equipment	50,843	75,073	24,230	47.7
Books and audio visual holdings	<u>416,220</u>	<u>410,078</u>	<u>(6,142)</u>	(1.5)
Totals	<u>\$ 1,071,476</u>	<u>\$ 1,501,550</u>	<u>\$ 430,074</u>	40.1

FACTORS BEARING ON THE LIBRARY'S FUTURE

- In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19) as a pandemic. The extent of the impact of COVID-19 on the Library's operations and financial performance, and cash flow needs will depend on certain developments, including the duration and spread of the outbreak, impact on funding sources, employees and vendors, all of which are uncertain and cannot be predicted as of the date of these financial statements.
- The Library is financially sound and proud of its continued community support.
- The Library must maintain careful financial planning and prudent fiscal management in order to preserve its financial stability in the future.
- The real property tax budget for the 2020-2021 fiscal year in the amount of \$2,336,105 was approved by voters. This is an increase of \$5,898 or .3% above the previous year's budget.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Library's citizens, taxpayers, customers, investors and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Seaford Public Library
Frank McKenna
Library Director
2234 Jackson Avenue
Seaford, New York 11783
(516) 221-1334

**SEAFORD PUBLIC LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2020**

ASSETS	
Unrestricted cash	\$ 554,201
State aid receivable	1,339
Restricted cash	1,443,596
Capital assets:	
Non-depreciable	29,900
Depreciable, net of accumulated depreciation of \$4,772,495	1,471,650
	1,471,650
Total assets	3,500,686
DEFERRED OUTFLOWS OF RESOURCES	
OPEB related	870,208
Pension related	510,808
	510,808
Total deferred outflows of resources	1,381,016
LIABILITIES	
Payables:	
Accounts payable	8,377
Accrued liabilities	62,738
Long-term liabilities, due after one year:	
Compensated absences	306,333
Net OPEB liability	3,493,056
Proportionate share of net pension liability	814,904
	814,904
Total liabilities	4,685,408
DEFERRED INFLOWS OF RESOURCES	
OPEB related	690,114
Pension related	22,491
	22,491
Total deferred inflows of resources	712,605
NET POSITION	
Investment in capital assets	1,501,550
Restricted:	
Repair and capital improvements	1,241,037
Employee benefit accrued liability	198,958
Unemployment insurance	3,601
Unrestricted	(3,461,457)
	(3,461,457)
Total net position (deficit)	\$ (516,311)

The accompanying notes to financial statements are an
integral part of this statement.

**SEAFORD PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants</u>	
Functions and programs:				
Public library services	\$ 2,494,537	\$ 11,759	\$ 220,881	\$ (2,261,897)
General revenues:				
Real property taxes				2,100,846
Building rental income				70,442
Interest income				24,221
Miscellaneous				14,803
Total general revenues				<u>2,210,312</u>
Change in net position				(51,585)
Total net position, beginning of year				<u>(464,726)</u>
Total net position, end of year				<u>\$ (516,311)</u>

The accompanying notes to financial statements are an
integral part of this statement.

**SEAFORD PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2020**

	General
ASSETS	
Cash:	
Unrestricted	\$ 554,201
Restricted	1,443,596
Receivables:	
State aid	1,339
	1,339
Total assets	\$ 1,999,136
LIABILITIES	
Payables:	
Accounts payable	\$ 8,377
Accrued liabilities	62,738
	62,738
Total liabilities	71,115
FUND BALANCE	
Restricted	1,443,596
Assigned	92,009
Unassigned	392,416
	392,416
Total fund balance	1,928,021
Total liabilities and fund balance	\$ 1,999,136

The accompanying notes to financial statements are an
integral part of this statement.

**SEAFORD PUBLIC LIBRARY
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Fund Balance - Governmental Fund		\$ 1,928,021
<p>Amounts reported for governmental activities in the Statement of Net Position are different due to the following:</p> <p>Capital assets less accumulated depreciation are included in the Statement of Net Position:</p>		
Capital assets:		
Non-depreciable	\$ 29,900	
Depreciable	6,244,145	
Accumulated depreciation	<u>(4,772,495)</u>	1,501,550
<p>Long-term liabilities applicable to the Library's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:</p>		
Compensated absences		(306,333)
<p>Long-term liability, deferred outflows and deferred inflows of resources associated with OPEB and are not current financial resources or obligations and are not reported in the governmental funds:</p>		
Total OPEB liability	(3,493,056)	
Deferred outflows of resources	870,208	
Deferred inflows of resources	<u>(690,114)</u>	(3,312,962)
<p>Proportionate share of long-term liability, and deferred outflows and deferred inflows of resources associated with participation in the State retirement system is not a current financial resource or obligation and is not reported in the governmental funds:</p>		
Net pension liability - proportionate share	(814,904)	
Deferred outflows of resources	510,808	
Deferred inflows of resources	<u>(22,491)</u>	<u>(326,587)</u>
Net Position - Governmental Activities		<u>\$ (516,311)</u>

The accompanying notes to financial statements are an integral part of this statement.

**SEAFORD PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General</u>
REVENUES	
Real property taxes	\$ 2,100,846
Building rental income	70,442
State aid	220,881
Charges for services	11,759
Interest income	24,221
Miscellaneous	14,803
	<hr/>
Total revenues	2,442,952
	<hr/>
EXPENDITURES	
Current-	
Salaries	1,072,310
Employee benefits	424,178
Materials and programs	152,690
Operations - general	174,429
Operations - building	235,877
Administrative	79,700
Public safety	1,770
Capital outlay	421,048
	<hr/>
Total expenditures	2,562,002
	<hr/>
Change in fund balance	(119,050)
Fund balance, beginning of year	2,047,071
	<hr/>
Fund balance, end of year	<u>\$ 1,928,021</u>

The accompanying notes to financial statements are an
integral part of this statement.

**SEAFORD PUBLIC LIBRARY
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balance - governmental fund \$ (119,050)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation expense in the current period is:

Capital outlay, net of dispositions	\$ 694,580	
Depreciation expense	<u>(264,506)</u>	430,074

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences		(26,842)
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Changes in the total OPEB liability and deferred inflows of resources and deferred outflows of resources reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues in the governmental funds.

Total OPEB liability	(297,627)	
Deferred inflows of resources from OPEB	(561,113)	
Deferred outflows of resources from OPEB	<u>674,585</u>	(184,155)

Changes in the proportionate share of the collective pension expense of the State retirement plans reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Proportionate share of net pension liability	(592,244)	
Deferred outflows of resources from pensions	383,450	
Deferred inflows of resources from pensions	<u>57,182</u>	(151,612)

Net change in net position - governmental activities		<u>\$ (51,585)</u>
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**SEAFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Seaford Public Library (the "Library") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

A. Financial reporting entity

The financial reporting entity of the Library consists of (a) the primary government which is the Seaford Public Library, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB.

The accompanying financial statements present the activities of the Library. The Library is not a component unit of another reporting entity. The decision to include a potential component unit in the Library's reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, there are no component units included in the Library's financial statements.

B. Basis of presentation

Entity-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the Library's governmental activities. These financial statements include the financial activities of the overall government in its entirety. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State and Federal aid, operating grants, capital grants and other exchange and nonexchange transactions.

The Statement of Activities presents a comparison between program expenses and revenues for the Library's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to functional areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, operating and capital grants. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements

The fund financial statements provide information about the Library's funds. The emphasis of fund financial statements is on major governmental funds. The Library reports the following governmental fund:

General Fund: This is the Library's primary operating fund. It accounts for all financial transactions.

SEAFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)

C. Measurement focus and basis of accounting

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Library gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Library considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund.

D. Property taxes

Real property taxes are levied annually by the Seaford Union Free School District no later than September 1, and become a lien on July 1. Taxes are collected by the Town of Hempstead and remitted to the School District, who in turn remits receipts collected for the Library on a monthly basis.

In Nassau County, as provided in the Nassau County Charter, the County makes up any shortfall created by uncollected property taxes, whether for the school district, the school district public library, or an association library receiving voter approved funding from the school district. That portion of those remitted funds representing delinquent library taxes must then be remitted by the school district to the library.

E. Restricted resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Library's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those

**SEAFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

G. Cash and investments

The Library's cash and cash equivalents consist of cash on hand and demand deposits. New York State law governs the Library's investment policies. Resources must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the State and its municipalities. Investments are stated at fair value.

H. Accounts receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

I. Inventories

Purchases of inventoriable items are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

J. Capital assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the entity-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building	\$ 500	Straight-line	15-50 years
Permanent fixtures	500	Straight-line	5-20 years
Machinery and equipment	500	Straight-line	5-20 years
Books and audio visual holdings	500	Straight-line	10 years

K. Deferred outflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

**SEAFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
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L. Deferred inflows of resources

Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to future periods. Deferred inflows of resources are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, or when the Library has legal claim to the resources, the deferred inflow is removed and revenues are recorded.

M. Vested employee benefits - compensated absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation. Sick leave eligibility and accumulation is specified in Board policies, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

Library employees are granted vacation in varying amounts, based primarily on service, position and Board policy. Some earned benefits may be forfeited if not taken within specified time periods.

The liability has been calculated using the vesting/termination method and an accrual for that liability is included in the financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

N. Other benefits

Library employees participate in the New York State Employees' Retirement System.

In addition to providing pension benefits, the Library provides post-employment health insurance coverage to retired employees and their families in accordance with the provisions of employment contracts in effect at the time of retirement. Substantially all of the Library's employees may become eligible for these benefits if they reach normal retirement age while working for the Library. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the Library and the retired employee. The Library recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

O. Accrued liabilities and long-term obligations

Payables, accrued liabilities and long-term obligations are reported in the entity-wide financial statements. In the governmental fund, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from the governmental fund, are reported as a liability in the fund financial statements.

Long-term obligations represent the Library's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

**SEAFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
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P. Net position

In the entity-wide financial statements, there are three classes of net position:

1. Investment in capital asset - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.
2. Restricted - reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted - reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the Library.

Q. Fund financial statements

In the fund financial statements, there are five classifications of fund balance:

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Library has no nonspendable fund balances as of June 30, 2020.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Library has established the following restricted fund balances:

Repair and capital improvements

Must be used to repair the roof, gutters, windows, and other structures resulting from leaks and water damage. Reserve can also be used for the cost of repairs and additions to capital improvements or equipment.

Employee benefit accrued liability

Must be used for the payment of accrued employee benefits due an employee upon termination of the employee's service.

Unemployment insurance

Must be used to pay for the cost of reimbursement for payments made to claimants where the employer has elected to use the benefit reimbursement method.

Restricted fund balance includes the following:

Repair and capital improvements	\$ 1,241,037
Employee benefit accrued liability	198,958
Unemployment insurance	<u>3,601</u>
Total restricted fund balance	<u>\$ 1,443,596</u>

3. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Library's highest level of decision-making

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NOTES TO FINANCIAL STATEMENTS
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authority, i.e. the Board of Trustees. The Library has no committed fund balances as of June 30, 2020.

4. Assigned - Includes amounts that are constrained by the Library's intent to be used for specific purposes, but, are neither restricted nor committed. Amounts appropriated for the subsequent year totaling \$92,009 was classified as assigned fund balance.
5. Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and is deemed to be available for general use by the Library.

Order of Use of Fund Balance

The Library's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. Non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND ENTITY-WIDE FINANCIAL STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the fund financial statements and the entity-wide financial statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental fund.

A. Total fund balance of governmental fund vs. net position of governmental activities

Total fund balance of the Library's governmental fund differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

B. Statement of Revenues, Expenditures and Change in Fund Balance vs. Statement of Activities

Differences between the Statement of Revenues, Expenditures and Change in Fund Balance and the Statement of Activities fall into one of five broad categories as follows:

1. Long-term revenue differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of

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accounting is used on the Statement of Activities.

2. Capital related differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund financial statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund financial statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund financial statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Pension differences

Pension differences occur as a result of changes in the Library's proportion of the collective net pension asset/(liability) and differences between the Library's contributions and its proportionate share of the total contributions to the pension system.

5. OPEB differences

OPEB differences occur as a result of changes in the Library's total OPEB liability and differences between the Library's contributions and OPEB expense.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Library administration prepares a proposed budget for approval by the Board of Trustees for the following governmental funds for which legal (appropriated) budgets are adopted:

The voters of the community approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

**SEAFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Budgets are adopted annually on a basis consistent with GAAP.

4. CASH AND CASH EQUIVALENTS – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT AND INTEREST RATE RISKS

The Library's investment policies are governed by State statutes. In addition, the Library has its own written investment policy. Library monies must be deposited in Federal Deposit Insurance Corporations ("FDIC") insured commercial banks or trust companies located within the State. The Library is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of U.S. Treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities.

For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

Custodial credit risk - deposit/investments: Custodial credit risk for deposits exist when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- Uncollateralized
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Library's name

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Library's custodial banks in the Library's name. They consisted of:

Collateralized with securities held by the pledging financial institutions, in the Library's name	\$ 1,792,516
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Credit risk: State law limits investments to those authorized by State statutes. The Library has a written investment policy.

Interest-rate risk: Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

Concentration of credit risk: Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer.

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NOTES TO FINANCIAL STATEMENTS
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As of June 30, 2020, the Library did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

5. CAPITAL ASSETS

Capital asset balances and activity were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 27,000	\$ -	\$ -	\$ 27,000
Construction-in-progress	39,100	2,900	(39,100)	2,900
Total nondepreciable assets	<u>66,100</u>	<u>2,900</u>	<u>(39,100)</u>	<u>29,900</u>
Capital assets that are depreciated:				
Building and permanent fixtures	1,788,009	542,530	(106,833)	2,223,706
Machinery and equipment	206,707	30,008	(10,157)	226,558
Books and audio visual holdings	3,630,392	163,489	-	3,793,881
Total depreciable assets	<u>5,625,108</u>	<u>736,027</u>	<u>(116,990)</u>	<u>6,244,145</u>
Less accumulated depreciation:				
Building and permanent fixtures	1,249,696	89,097	(101,586)	1,237,207
Machinery and equipment	155,864	5,778	(10,157)	151,485
Books and audio visual holdings	3,214,172	169,631	-	3,383,803
Total accumulated depreciation	<u>4,619,732</u>	<u>264,506</u>	<u>(111,743)</u>	<u>4,772,495</u>
Total capital assets, net	<u>\$ 1,071,476</u>	<u>\$ 474,421</u>	<u>\$ (44,347)</u>	<u>\$ 1,501,550</u>

6. LONG-TERM DEBT OBLIGATIONS

Long-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 279,491	\$ 26,842	\$ -	\$ 306,333	\$ -
Net OPEB liability	3,195,429	982,047	684,420	3,493,056	-
Total long-term liabilities	<u>\$ 3,474,920</u>	<u>\$ 1,008,889</u>	<u>\$ 684,420</u>	<u>\$ 3,799,389</u>	<u>\$ -</u>

7. PENSION PLAN

Plan description

The Library participates in the New York State and Local Employees' Retirement System ("NYSERS") which is referred to as New York State and Local Retirement System (the "System"). This is a cost-sharing multiple-employer defined benefit retirement system. 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 fiduciary net position allocated to the System. The Comptroller of the State of New York (the "Comptroller") serves

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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 Library also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), 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 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.

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 ten 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.

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NOTES TO FINANCIAL STATEMENTS
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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 ten 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 ten 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 ten 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 ten 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 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.

**SEAFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

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 ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) NYSERS 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.

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% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute 3% of their salary for the entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used 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, and were as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 133,816
2019	136,336
2018	132,409

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2020, the Library reported a liability of \$814,904, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2019. Update procedures were used to roll forward the pension liability to March 31, 2020. The Library's proportion of the net pension liability was based on a projection of the 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, 2020, the Library's proportion was 0.00308%. The Library's proportion was consistent with June 30, 2020.

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NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

For the year ended June 30, 2020, the Library recognized pension expense of \$285,426. At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected experience and actual experience	\$ 47,960	\$ -
Changes of assumptions	16,408	(14,168)
Net difference between projected and actual earnings on pension plan investments	417,759	-
Changes in proportion and differences between the Library's contributions and proportionate share of contributions	28,681	(8,323)
Total	\$ 510,808	\$ (22,491)

Deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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>For the year ended June 30,:</u>		
2021	\$	87,059
2022		124,007
2023		153,929
2024		123,322

Actuarial assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The actuarial valuation used the following actuarial assumptions:

Measurement date	March 31, 2020
Actuarial valuation date	April 1, 2019
Interest rate	6.8%
Salary scale	4.2%
Decrement tables	April 1, 2010 to March 31, 2015 System's Experience
Inflation rate	2.50%

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NOTES TO FINANCIAL STATEMENTS
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Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return strategies	2%	3.25%
Bonds and mortgages	17%	0.75%
Cash	1%	0.00%
Domestic equity	36%	4.05%
Inflation-indexed bonds	4%	0.50%
International equity	14%	6.15%
Opportunistic portfolio	3%	4.65%
Private equity	10%	6.75%
Real assets	3%	5.95%
Real estate	10%	4.95%
	<u>100%</u>	

Discount rate

The discount rate used to calculate the total pension liability was 6.80%. 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.

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NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Sensitivity of the proportionate share of the net pension liability to the discount rate assumption

The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	<u>1% Decrease (5.80%)</u>	<u>Current assumption (6.80%)</u>	<u>1% Increase (7.80%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (1,495,579)	\$ (814,904)	\$ (188,000)

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of March 31, 2020, were as follows:

	<u>(Dollars in Thousands)</u>
Employers' total pension liability	\$ (194,596,261)
Plan net position	<u>168,115,682</u>
Employers' net pension asset/(liability)	<u>\$ (26,480,579)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	86.39%

8. OTHER POSTEMPLOYMENT BENEFITS ("OPEB")

General information about the OPEB plan

The Library's defined benefit OPEB plan provides OPEB for all permanent full-time employees of the Library. The plan is a single employer defined benefit OPEB plan administered by the Library. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Library Board of Education. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided

The Library provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the Library offices and are available upon request.

**SEAFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Employees covered by benefit terms

As of July 1, 2019, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	7
Active plan members	<u>12</u>
Total plan members	<u><u>19</u></u>

Total OPEB liability

The Library's total OPEB liability of \$3,493,056 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, with update procedures used to roll forward the total OPEB liability to the measurement date, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.50% average, including inflation
Discount rate	2.21%
Healthcare cost trend rates	7.5% for 2019, decreasing .5% per year to an ultimate rate of 4.5% in 2025
Retirees' share of benefit-related costs	0% of projected health insurance premiums for retirees

The discount rate was based on the July 1, 2019 Bond Buyer's 20 Bond Index.

Mortality rates were based on the SOA RPH-2014 Total Dataset headcount-weighted fully generation mortality table with projection scale MP-2019.

**SEAFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Changes in the total OPEB liability

Balance as of June 30, 2019	\$ 3,195,429
<u>Changes for the year -</u>	
Service cost	114,355
Interest	96,063
Differences between expected and actual experience	(638,996)
Change in assumptions or other inputs	771,629
Benefit payments	(45,424)
Net changes	297,627
Balance as of June 30, 2020	\$ 3,493,056

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 one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Current assumption (2.21%)	1% Increase (3.21%)
Total OPEB liability as of June 30, 2020	\$ 4,271,410	\$ 3,493,056	\$ 2,879,758

Sensitivity of the total OPEB liability to changes in 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 healthcare cost trend rates that are one percentage point lower (6.50%) or one percentage point higher (9.50%) than the current discount rate:

	1% Decrease (6.50% decreasing to 3.50%)	Current assumption (7.50% decreasing to 4.50%)	1% Increase (8.50% decreasing to 5.50%)
Total OPEB liability as of June 30, 2020	\$ 2,707,452	\$ 3,493,056	\$ 4,595,967

OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2020, the Library recognized OPEB expense of \$229,579. At June 30, 2020, the Library reported deferred inflows of resources and deferred outflows of resources related to OPEB from changes in assumptions and experience gain of \$690,114 and \$870,208, respectively.

**SEAFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

Amounts reported as deferred inflows of resources and deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the year ended June 30,:</u>	
2021	\$ 19,161
2022	19,161
2023	19,161
2024	19,161
2025	19,161
Thereafter	84,289

9. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

10. CONTINGENCIES AND COMMITMENTS

Government grants

The Library has received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the Library's administration believes disallowances, if any, will be immaterial.

Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years beginning in 2012 through at least June 15, 2020, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2 percent or the rate of inflation (but not less than 1 percent), whichever is less, with some exceptions. Local governments can exceed the tax levy limit by a 60% vote of the governing body, or by local law.

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The extent of the impact of COVID-19 on the Library's operational and financial performance, and cash flow needs will depend on certain developments, including the duration and spread of the outbreak, impact on funding sources, employees and vendors, all of which are uncertain and cannot be predicted as of the date of these financial statements.

11. TAX ABATEMENTS

The Library's property tax revenues were reduced by \$53,636 under agreements entered into by Nassau County. As of June 30, 2020, all taxes were fully paid to the Library.

**SEAFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

12. FUTURE ACCOUNTING STANDARDS

The Library will evaluate the impact each of these upcoming pronouncements may have on its financial statements and will implement them as applicable and when material. The following is a list of GASB pronouncements issued but not yet effective:

<u>GASB Statement No.</u>	<u>GASB Accounting Standard</u>	<u>Effective Fiscal Year</u>
Statement No. 87	Leases	June 30, 2022
Statement No. 89	Accounting For Interest Cost Incurred Before The End Of A Construction Period	June 30, 2022
Statement No. 90	Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61	June 30, 2022
Statement No. 91	Conduit Debt Obligations	June 30, 2023

13. SUBSEQUENT EVENTS

The Library has evaluated subsequent events occurring after the Statement of Net Position through the date of October 9, 2020, which is the date the financial statements were available to be issued, noting no matters requiring further consideration.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**SEAFORD PUBLIC LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

REVENUES	Budget	Actual	Variance
Local sources:			
Real property taxes	\$ 2,100,846	\$ 2,100,846	\$ -
Building rental income	86,530	70,442	(16,088)
State aid	4,000	220,881	216,881
Charges for services	9,400	11,759	2,359
Interest income	700	24,221	23,521
Miscellaneous	18,995	14,803	(4,192)
Total revenues	2,220,471	2,442,952	222,481
Other sources:			
Appropriated reserves	-	-	-
Total revenues and other sources	2,220,471	2,442,952	222,481
EXPENDITURES			
Salaries:			
Professional	626,734	641,908	(15,174)
Clerical	356,213	336,200	20,013
Cleaners	55,949	53,090	2,859
Pages	45,500	41,112	4,388
Employee benefits:			
Health insurance	254,000	202,607	51,393
Social Security	82,957	78,501	4,456
Unemployment insurance	152,640	136,036	16,604
Dental insurance	9,516	7,034	2,482
Library materials and programs:			
Books	90,000	71,666	18,334
DVD's	15,000	11,165	3,835
Books on tape and CD's	46,200	30,278	15,922
Software	1,000	2,291	(1,291)
Periodicals/Online databases	41,000	37,290	3,710
Library operations - general:			
Library supplies	21,000	22,215	(1,215)
Publicity	26,000	23,451	2,549
Dues	2,700	2,510	190
Programs	96,700	77,723	18,977
NLS delivery fee	12,200	12,200	-
Rental and repair of office equipment/service contracts	37,000	36,330	670
Library operations - building:			
Natural gas	5,500	6,439	(939)
Electric	45,000	38,633	6,367
Telephone	22,000	20,329	1,671
Water	2,000	943	1,057
Custodial supplies	5,000	3,528	1,472
Repairs and maintenance/service contracts	85,000	165,064	(80,064)
Other expenses	3,500	941	2,559
Administrative expenses:			
Postage	12,000	8,973	3,027
Insurance	47,000	40,717	6,283
Professional fees	21,450	20,803	647
Budget vote	2,000	1,657	343
Professional improvement	9,500	7,550	1,950
Public safety:			
Security deposit	-	1,770	(1,770)
Capital outlay:			
Equipment and furniture	97,948	421,048	(323,100)
Total expenditures	2,330,207	2,562,002	(231,795)
Change in fund balance	\$ (109,736)	(119,050)	\$ (9,314)
Fund balance, beginning of year		2,047,071	
Fund balance, end of year		<u>\$ 1,928,021</u>	

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**SEAFORD PUBLIC LIBRARY
SCHEDULE OF CHANGES IN THE LIBRARY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS**

Measurement date	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability:			
Service cost	\$ 114,355	\$ 130,339	\$ 157,872
Interest	96,063	112,008	98,915
Differences between expected and actual experience in the measurement of the total OPEB liability	(638,996)	-	-
Changes of assumptions or other inputs	771,629	(212,640)	-
Benefit payments	<u>(45,424)</u>	<u>(54,720)</u>	<u>(76,802)</u>
Net change in total OPEB liability	297,627	(25,013)	179,985
Total OPEB liability - beginning of year	<u>3,195,429</u>	<u>3,220,442</u>	<u>3,040,457</u>
Total OPEB liability - end of year	<u>\$ 3,493,056</u>	<u>\$ 3,195,429</u>	<u>\$ 3,220,442</u>
Covered payroll	\$ 827,505	\$ 837,621	\$ 817,191
Total OPEB liability as a percentage of covered payroll	422.12%	381.49%	394.09%

Note to Required Supplementary Information

Ten years of historical information was not available upon implementation of GASB Statement No. 75. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

The Library has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits, as New York State currently does not allow libraries to establish this type of trust. The Library currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

SEAFORD PUBLIC LIBRARY
SCHEDULE OF LIBRARY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

	(B) 2020	2019	2018	(A) 2017	2016	2015	**2014	**2013	**2012	**2011
Library's proportionate share of the net pension liability	0.00308%	0.00314%	0.00327%	0.00300%	0.00300%	0.00333%	N/A	N/A	N/A	N/A
Library's proportionate share of the net pension liability	\$ 815	\$ 223	\$ 106	\$ 299	\$ 527	\$ 113	N/A	N/A	N/A	N/A
Library's covered payroll	\$ 923	\$ 908	\$ 870	\$ 668	\$ 651	\$ 754	N/A	N/A	N/A	N/A
Library's proportionate share of the net pension liability as a percentage of covered payroll	88.29%	24.52%	12.18%	44.76%	80.95%	14.99%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%	97.15%	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

(A) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2017 measurement date.

(B) The discount rate used to calculate the total pension liability was decreased from 7.0% to 6.8% effective with the March 31, 2020 measurement date.

Not Available = N/A

****Note to Required Supplementary Information**

Ten years of historical information was not available upon implementation GASB Statement No. 68. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

**SEAFORD PUBLIC LIBRARY
SCHEDULE OF LIBRARY PENSION CONTRIBUTIONS - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>**2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>
Contractually required contribution	\$ 134	\$ 136	\$ 132	\$ 153	\$ 159	\$ 183	\$ 153	\$ 129	\$ 96	\$ 61
Contributions in relation to the contractually required contribution	134	136	132	153	159	183	153	129	96	61
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Library's covered-employee payroll	\$ 923	\$ 908	\$ 870	\$ 668	\$ 651	\$ 754	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	14.50%	15.01%	15.17%	22.90%	24.42%	24.27%	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

Not Available = N/A

****Note to Required Supplementary Information**

Ten years of historical information was not available upon implementation GASB Statement No. 68. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of the
Seaford Public Library
Town of Hempstead, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Seaford Public Library (the "Library"), as of and for the year ended June 30, 2020 and the related notes to financial statements which collectively comprise the Library's financial statements and have issued our report thereon dated October 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

NawrockiSmith

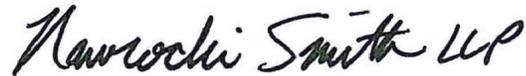
Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melville, New York
October 9, 2020

A handwritten signature in black ink that reads "Nawrocki Smith LLP". The signature is written in a cursive, flowing style.

**SEAFORD PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2020**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS:

None noted.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS:

1. Cash disbursements - employee reimbursements

We recommended policies and procedures be enforced to ensure all employee reimbursements have sufficient documentation to identify the business purpose.

Status – We noted that this recommendation was implemented.