NEW ISSUE

Ratings:
See "Ratings" herein

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
REVENUE BONDS, SERIES 2016

Consisting of:

$2,345,000 Comsewogue Public Library Revenue Bonds, Series 2016	**$2,760,000 Rogers Memorial Library Company Revenue Bonds, Subseries 2016A**	**$130,000 Rogers Memorial Library Company Revenue Bonds, Subseries 2016B (Federally Taxable)**	**$14,865,000 Smithtown Special Library District Revenue Bonds, Series 2016**

Dated: Date of Delivery **Due: July 1, as shown on the inside cover**

Payment and Security: The Comsewogue Public Library Revenue Bonds, Series 2016 (the "Series 2016 Comsewogue Bonds"), the Rogers Memorial Library Company Revenue Bonds, Subseries 2016A (the "Subseries 2016A Rogers Bonds"), the Rogers Memorial Library Company Revenue Bonds, Subseries 2016B (Federally Taxable) (the "Subseries 2016B Rogers Bonds" and, together with the Subseries 2016A Rogers Bonds, the "Series 2016 Rogers Bonds") and the Smithtown Special Library District Revenue Bonds, Series 2016 (the "Series 2016 Smithtown Bonds") are special obligations of the Dormitory Authority of the State of New York ("DASNY"). The Series 2016 Comsewogue Bonds are payable solely from and secured by a pledge of certain payments to be made under the Loan Agreement (the "Comsewogue Loan Agreement"), dated as of January 12, 2016, between Comsewogue Public Library ("Comsewogue") and DASNY, and all funds and accounts (except the Arbitrage Rebate Fund) authorized under DASNY's Comsewogue Public Library Revenue Bond Resolution, adopted January 12, 2016 (the "Comsewogue Resolution"), and established under DASNY's Series 2016 Resolution, adopted January 12, 2016, authorizing the Series 2016 Comsewogue Bonds (the "Series 2016 Comsewogue Resolution"). The Series 2016 Rogers Bonds are payable solely from and secured by a pledge of certain payments to be made under the Loan Agreement (the "Rogers Loan Agreement"), dated as of January 12, 2016, between Rogers Memorial Library Company ("Rogers") and DASNY, and all funds and accounts (except the Arbitrage Rebate Fund) authorized under DASNY's Rogers Memorial Library Company Revenue Bond Resolution, adopted January 12, 2016 (the "Rogers Resolution"), and established under DASNY's Series 2016 Resolution, adopted January 12, 2016, authorizing the Series 2016 Rogers Bonds (the "Series 2016 Rogers Resolution"). The Series 2016 Smithtown Bonds are payable solely from and secured by a pledge of certain payments to be made under the Loan Agreement (the "Smithtown Loan Agreement"), dated as of January 12, 2016, between Smithtown Special Library District ("Smithtown") and DASNY, and all funds and accounts (except the Arbitrage Rebate Fund) authorized under DASNY's Smithtown Special Library District Revenue Bond Resolution, adopted January 12, 2016 (the "Smithtown Resolution"), and established under DASNY's Series 2016 Resolution, adopted January 12, 2016, authorizing the Series 2016 Smithtown Bonds (the "Series 2016 Smithtown Resolution"). The Series 2016 Comsewogue Bonds, the Series 2016 Rogers Bonds and the Series 2016 Smithtown Bonds are collectively referred to herein as the "Series 2016 Bonds." Comsewogue, Rogers and Smithtown are collectively referred to herein as the "Library" or "Libraries," the Comsewogue Loan Agreement, the Rogers Loan Agreement and the Smithtown Loan Agreement are collectively referred to herein as the "Loan Agreement(s)," the Comsewogue Resolution, the Rogers Resolution and the Smithtown Resolution are collectively referred to herein as the "Resolution(s)," and the Series 2016 Comsewogue Resolution, the Series 2016 Rogers Resolution and the Series 2016 Smithtown Resolution are sometimes referred to herein as a "Series 2016 Resolution." Each of the Series 2016 Comsewogue Bonds, the Series 2016 Rogers Bonds and the Series 2016 Smithtown Bonds will be separately secured under the related Resolution and none of the funds and accounts established under a Series 2016 Resolution to secure a Series of Series 2016 Bonds shall secure any other Series of Series 2016 Bonds.

Each Loan Agreement is a general obligation of the applicable Library and requires such Library to pay, in addition to the fees and expenses of DASNY and U.S. Bank National Association, New York, New York, the Trustee and Paying Agent, amounts sufficient to pay the principal, sinking fund installments and Redemption Price of and interest on the applicable Series 2016 Bonds, as such payments become due. The obligations of the Libraries under their respective Loan Agreements are secured by a pledge of the revenues of the applicable Library, including a portion of the real property taxes payable under law to the applicable Library for such purposes.

The Series 2016 Bonds will not be a debt of the State of New York (the "State") nor will the State be liable thereon. DASNY has no taxing power.

Description: The Series 2016 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2016 Bonds will bear interest at the rates and will pay interest and mature at the times shown on the inside cover hereof. Interest (due July 1, 2016 and each January 1 and July 1 thereafter) will be payable by check or draft mailed to the registered owners of the Series 2016 Bonds at their addresses as shown on the registration books held by the Trustee or, at the option of a holder of at least $1,000,000 in principal amount of Series 2016 Bonds, by wire transfer to the holder of such Series 2016 Bonds, each as of the close of business on the fifteenth day of the month next preceding an interest payment date. The principal or Redemption Price of the Series 2016 Bonds will be payable at the principal corporate trust office of the Trustee and Paying Agent or, with respect to Redemption Price, at the option of a holder of at least $1,000,000 in principal amount of Series 2016 Bonds, by wire transfer to the holders of such Series 2016 Bonds as more fully described herein.

The Series 2016 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2016 Bonds will be made in book entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2016 Bonds, payments of the principal and Redemption Price of and interest on such Series 2016 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 - THE SERIES 2016 BONDS - Book-Entry Only System."

Redemption: *The Series 2016 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity, as more fully described herein.*

Tax Exemption: In the opinion of each of Hodgson Russ LLP and Golden Holley James LLP, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other things, the accuracy of certain representations and certifications and compliance with certain covenants, interest on the Series 2016 Comsewogue Bonds, the Series 2016 Smithtown Bonds and the Subseries 2016A Rogers Bonds (the "Tax-Exempt Bonds") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Co-Bond Counsel are also of the opinion that such interest on the Tax-Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Tax-Exempt Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Co-Bond Counsel are further of the opinion that interest on the Subseries 2016B Rogers Bonds is included in gross income for federal income tax purposes. Co-Bond Counsel are further of the opinion that interest on the Series 2016 Bonds is exempt from personal income taxes of the State of New York and any political subdivision thereof (including The City of New York). Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016 Bonds. See "PART 9 - TAX MATTERS" herein.

The Series 2016 Bonds are offered when, as and if issued and received by the Underwriter. The offer of the Series 2016 Bonds may be subject to prior sale or may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality of the Series 2016 Bonds by Hodgson Russ LLP, Albany, New York and Golden Holley James LLP, New York, New York, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Libraries by their counsel, Kevin A. Seaman, Attorney at Law, Stony Brook, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Gonzalez Saggio & Harlan LLP, New York, New York, or another firm acceptable to the Underwriter. DASNY expects to deliver the Series 2016 Bonds in definitive form in New York, New York, on or about March 2, 2016.

RAYMOND JAMES

February 10, 2016

$2,345,000
COMSEWOGUE PUBLIC LIBRARY
REVENUE BONDS, SERIES 2016

Due July 1,	Amount	Interest Rate	Yield	CUSIP Number[(1)]	Due July 1,	Amount	Interest Rate	Yield	CUSIP Number[(1)]
2016	$235,000	3.00%	0.31%	64990BVS9	2021	$265,000	5.00%	1.13%	64990BVX8
2017	230,000	4.00	0.60	64990BVT7	2022	280,000	5.00	1.32	64990BVY6
2018	240,000	4.00	0.76	64990BVU4	2023	290,000	5.00	1.52	64990BVZ3
2019	250,000	4.00	0.87	64990BVV2	2024	305,000	5.00	1.72	64990BWA7
2020	250,000	2.00	1.00	64990BVW0					

$2,760,000
ROGERS MEMORIAL LIBRARY COMPANY
REVENUE BONDS, SUBSERIES 2016A

Due July 1,	Amount	Interest Rate	Yield	CUSIP Number[(1)]	Due July 1,	Amount	Interest Rate	Yield	CUSIP Number[(1)]
2016	$180,000	2.00%	0.30%	64990BWP4	2023	$225,000	2.00%	1.44%	64990BWH2
2017	195,000	2.00	0.57	64990BWB5	2024	240,000	5.00	1.63	64990BWJ8
2018	75,000	2.00	0.72	64990BWC3	2025	240,000	5.00	1.80	64990BWK5
2019	205,000	2.00	0.79	64990BWD1	2026	245,000	5.00	1.95	64990BWL3
2020	215,000	2.00	0.90	64990BWE9	2027	260,000	2.00	2.14	64990BWM1
2021	205,000	5.00	1.03	64990BWF6	2028	255,000	2.25	2.34	64990BWN9
2022	220,000	5.00	1.24	64990BWG4					

$130,000
ROGERS MEMORIAL LIBRARY COMPANY
REVENUE BONDS, SUBSERIES 2016B (Federally Taxable)

Due July 1,	Amount	Interest Rate	Price	CUSIP Number[(1)]
2018	$130,000	1.10%	100%	64990BWQ2

$14,865,000
SMITHTOWN SPECIAL LIBRARY DISTRICT
REVENUE BONDS, SERIES 2016

Due July 1,	Amount	Interest Rate	Yield	CUSIP Number[(1)]	Due July 1,	Amount	Interest Rate	Yield	CUSIP Number[(1)]
2016	$920,000	3.00%	0.33%	64990BWR0	2023	$1,170,000	5.00%	1.49%	64990BWY5
2017	880,000	4.00	0.62	64990BWS8	2024	1,230,000	5.00	1.68	64990BWZ2
2018	925,000	4.00	0.77	64990BWT6	2025	1,295,000	5.00	1.85	64990BXA6
2019	965,000	4.00	0.88	64990BWU3	2026	1,365,000	5.00	2.00	64990BXB4
2020	1,000,000	5.00	0.99	64990BWV1	2027	1,435,000	5.00	2.08[2]	64990BXC2
2021	1,055,000	5.00	1.08	64990BWW9	2028	1,515,000	5.00	2.18[2]	64990BXD0
2022	1,110,000	5.00	1.29	64990BWX7					

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(1) *CUSIP numbers have been assigned by an independent company not affiliated with DASNY and are included solely for the convenience of the holders of the Series 2016 Bonds. Neither DASNY nor the Underwriter is responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Series 2016 Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such Series 2016 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2016 Bonds.*

(2) Priced at the stated yield to the July 1, 2026 optional redemption date at a redemption price of 100% of the principal amount of such Series 2016 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

No dealer, broker, salesperson or other person has been authorized by DASNY, the Libraries or the Underwriter to give any information or to make any representations with respect to the Series 2016 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by DASNY, the Libraries or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Certain information in this Official Statement has been supplied by the Libraries and other sources that DASNY believes are reliable. Neither DASNY nor the Underwriter guarantees the accuracy or completeness of such information and such information is not to be construed as a representation of DASNY or the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Each of the Libraries has reviewed the parts of this Official Statement describing its respective Library, Refunding Plan, Estimated Sources and Uses of Funds, Continuing Disclosure and Appendix. It is a condition to the sale and the delivery of the Series 2016 Bonds that each Library certify that, as of each such date of sale or delivery, such parts do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. No representation is made by the respective Libraries as to the accuracy or completeness of any other information included in this Official Statement.

References in this Official Statement to the Act, the Resolutions, the Series 2016 Resolutions and the Loan Agreements do not purport to be complete. Refer to the Act, the Resolutions, the Series 2016 Resolutions and the Loan Agreements for full and complete details of their provisions. Copies of the Resolutions, the Series 2016 Resolutions and the Loan Agreements are on file with DASNY and the Trustee.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of DASNY or the Libraries have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2016 BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2016 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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DORMITORY AUTHORITY - STATE OF NEW YORK | 515 BROADWAY, ALBANY, N.Y. 12207
GERRARD P. BUSHELL - PRESIDENT | ALFONSO L. CARNEY, JR., ESQ. - CHAIR

OFFICIAL STATEMENT RELATING TO

DORMITORY AUTHORITY OF THE STATE OF NEW YORK REVENUE BONDS, SERIES 2016

Consisting of:

$2,345,000	$2,760,000	$130,000	$14,865,000
Comsewogue Public Library Revenue Bonds, Series 2016	Rogers Memorial Library Company Revenue Bonds, Subseries 2016A	Rogers Memorial Library Company Revenue Bonds, Subseries 2016B (Federally Taxable)	Smithtown Special Library District Revenue Bonds, Series 2016

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to provide information about DASNY and Comsewogue Public Library ("Comsewogue"), Rogers Memorial Library Company ("Rogers") and Smithtown Special Library District ("Smithtown" and collectively with Comsewogue and Rogers, the "Library" or "Libraries") in connection with the offering by DASNY of its $2,345,000 Comsewogue Public Library Revenue Bonds, Series 2016 (the "Series 2016 Comsewogue Bonds"), $2,760,000 Rogers Memorial Library Company Revenue Bonds, Subseries 2016A (the "Subseries 2016A Rogers Bonds"), $130,000 Rogers Memorial Library Company Revenue Bonds, Subseries 2016B (Federally Taxable) (the "Subseries 2016B Rogers Bonds" and, together with the Subseries 2016A Rogers Bonds, the "Series 2016 Rogers Bonds") and $14,865,000 Smithtown Special Library District Revenue Bonds, Series 2016 (the "Series 2016 Smithtown Bonds" and, together with the Series 2016 Comsewogue Bonds and the Series 2016 Rogers Bonds, the "Series 2016 Bonds").

The following is a brief description of certain information concerning the Series 2016 Bonds, DASNY and the Libraries. A more complete description of such information and additional information that may affect decisions to invest in the Series 2016 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain capitalized terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issues

The Series 2016 Comsewogue Bonds are being issued (i) to current refund DASNY's Comsewogue Public Library Insured Revenue Bonds, Series 2005 (the "Series 2005 Comsewogue Bonds"), and (ii) to pay the Costs of Issuance of the Series 2016 Comsewogue Bonds. The Series 2016 Rogers Bonds are being issued (i) to current refund DASNY's Rogers Memorial Library Insured Revenue Bonds, Series 1998 (the "Series 1998 Rogers Bonds"), and (ii) to pay the Costs of Issuance of the Series 2016 Rogers Bonds. The Series 2016 Smithtown Bonds are being issued (i) to advance refund DASNY's Smithtown Special Library District Revenue Bonds, Series 2008 (the "Series 2008 Smithtown Bonds"), and (ii) to pay the Costs of Issuance of the Series 2016 Smithtown Bonds. See "PART 4 - THE REFUNDING PLANS" and "PART 5 - ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The Series 2016 Comsewogue Bonds will be issued pursuant to DASNY's Comsewogue Public Library Revenue Bond Resolution, adopted January 12, 2016 (the "Comsewogue Resolution"), DASNY's Series 2016 Resolution, adopted January 12, 2016, authorizing the Series 2016 Comsewogue Bonds in an amount not to exceed

$4,000,000 (the "Series 2016 Comsewogue Resolution") and the Act. The Series 2016 Rogers Bonds will be issued pursuant to DASNY's Rogers Memorial Library Company Revenue Bond Resolution, adopted January 12, 2016 (the "Rogers Resolution"), DASNY's Series 2016 Resolution, adopted January 12, 2016, authorizing the Series 2016 Rogers Bonds in an amount not to exceed $4,000,000 (the "Series 2016 Rogers Resolution") and the Act. The Series 2016 Smithtown Bonds will be issued pursuant to DASNY's Smithtown Special Library District Revenue Bond Resolution, adopted January 12, 2016 (the "Smithtown Resolution"), DASNY's Series 2016 Resolution, adopted January 12, 2016, authorizing the Series 2016 Smithtown Bonds in an amount not to exceed $18,000,000 (the "Series 2016 Smithtown Resolution") and the Act. The Comsewogue Resolution, the Rogers Resolution and the Smithtown Resolution are collectively referred to herein as the "Resolution(s)." The Series 2016 Comsewogue Resolution, the Series 2016 Rogers Resolution and the Series 2016 Smithtown Resolution are sometimes referred to herein as a "Series 2016 Resolution(s)." Each of the Series 2016 Comsewogue Bonds, the Series 2016 Rogers Bonds and the Series 2016 Smithtown Bonds will be separately secured under the related Resolution and none of the funds and accounts established under a Series 2016 Resolution to secure a Series of Series 2016 Bonds shall secure any other Series of Series 2016 Bonds.

DASNY

DASNY is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions. See "PART 6 - DASNY."

The Libraries

Comsewogue Public Library

Comsewogue is an education corporation and school district public library organized and existing under the laws of the State located in the Town of Brookhaven, Suffolk County, New York. Comsewogue serves the residents of the Brookhaven-Comsewogue Union Free School District (the "Comsewogue School District"). The Series 2016 Comsewogue Bonds will not be a debt of the State, Suffolk County, the Town of Brookhaven or the Comsewogue School District, nor will the State, Suffolk County, the Town of Brookhaven or the Comsewogue School District be liable thereon. See "Appendix B1 - Certain Financial and Economic Information on Comsewogue Public Library."

Rogers Memorial Library Company

Rogers is a not-for-profit tax-exempt corporation and free association library incorporated and existing under the laws of the State located in the Town of Southampton, Suffolk County, New York. Rogers serves the residents of the Southampton Union Free School District and the Tuckahoe Common School District (collectively, the "Rogers School Districts"). The Series 2016 Rogers Bonds will not be a debt of the State, Suffolk County, the Town of Southampton or the Rogers School Districts nor will the State, Suffolk County, the Town of Southampton or the Rogers School Districts be liable thereon. See "Appendix B2 - Certain Financial and Economic Information on Rogers Memorial Library Company."

Smithtown Special Library District

Smithtown is a special district public library organized and existing under the laws of the State located in the Town of Smithtown, Suffolk County, New York. Smithtown serves the residents of the Town of Smithtown excluding the areas served by the Sachem Public Library and the Emma S. Clark Memorial Library (the "Smithtown Library District"). The Series 2016 Smithtown Bonds will not be a debt of the State, Suffolk County or the Town of Smithtown nor will the State, Suffolk County or the Town of Smithtown be liable thereon. See "Appendix B3 - Certain Financial and Economic Information on Smithtown Special Library District."

The Series 2016 Bonds

The Series 2016 Bonds will be dated their date of delivery and will bear interest from such date (payable July 1, 2016 and on each January 1 and July 1 thereafter) at the rates and will mature at the times and in the principal amounts set forth on the inside cover page of this Official Statement. See "PART 3 - THE SERIES 2016 BONDS - Description of the Series 2016 Bonds."

Payment of the Series 2016 Bonds

The Series 2016 Comsewogue Bonds will be special obligations of DASNY payable solely from those Revenues which consist of certain payments to be made by Comsewogue under its Loan Agreement. The Series 2016 Rogers Bonds will be special obligations of DASNY payable solely from those Revenues which consist of certain payments to be made by Rogers under its Loan Agreement. The Series 2016 Smithtown Bonds will be special obligations of DASNY payable solely from those Revenues which consist of certain payments to be made by Smithtown under its Loan Agreement. Each respective Loan Agreement is a general obligation of the applicable Library. Pursuant to the Resolutions and the Series 2016 Resolutions, the Revenues and DASNY's right to receive the Revenues have been pledged to the Trustee for each respective Series of Series 2016 Bonds. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS—Payment of the Series 2016 Bonds."

Security for the Series 2016 Bonds

Each Series of the Series 2016 Bonds will be separately secured by the pledge and assignment to the Trustee of the respective Revenues and the security interest in the respective Pledged Revenues granted by each respective Library to DASNY under its respective Loan Agreement. DASNY's security interest in the Pledged Revenues will be a first lien thereon. The "Taxing Entities" for Comsewogue are the Town of Brookhaven and the Brookhaven-Comsewogue Union Free School District; the "Taxing Entities" for Rogers are the Town of Southampton, the Southampton Union Free School District and the Tuckahoe Common School District; and the "Taxing Entity" for Smithtown is the Town of Smithtown. The respective Pledged Revenues consist primarily of moneys derived from real property tax levies made or collected on behalf of each respective Library by its respective Taxing Entity(ies). The Real Property Tax Law governs methods and procedures to levy, collect and enforce this tax.

Each Series of the Series 2016 Bonds will also be secured by all funds and accounts authorized by the respective Resolution and established by the respective Series 2016 Resolution (with the exception of the Arbitrage Rebate Fund). In the event of nonpayment by a Library under its Loan Agreement, DASNY is authorized by law to direct State and local officers including, without limitation, officers of the respective Taxing Entity to pay over to DASNY any and all funds owed to such Library by the State or any political subdivision thereof in an amount sufficient to make all payments required to be made under its Loan Agreement. Such funds represent a portion of the respective Pledged Revenues. The Libraries may incur debt secured by a parity lien on certain of their respective Pledged Revenues (excluding the portion of the respective Pledged Revenues representing the tax levy authorized by the respective referendum) with the prior written consent of DASNY. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS - Security for the Series 2016 Bonds."

Each Resolution authorizes the issuance by DASNY, from time to time, of Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and to be separately secured from each other Series of Bonds. The Holders of Bonds of a Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series.

The Series 2016 Bonds will not be a debt of any Taxing Entity nor will any Taxing Entity be liable thereon or under any Loan Agreement.

The Series 2016 Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power.

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2016 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolutions, the Series 2016 Resolutions and the Loan Agreements. Copies of the Resolutions, the Series 2016 Resolutions and the Loan Agreements are on file with DASNY and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreements" and "Appendix D - Summary of Certain Provisions of the Resolutions" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2016 Bonds

The Series 2016 Bonds will be special obligations of DASNY. The principal, Sinking Fund Installments, if any, and Redemption Price of and interest on each Series of the Series 2016 Bonds will be payable solely from the respective Revenues. The Revenues consist of the required payments to be made by each of the Libraries under its respective Loan Agreement to satisfy the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the applicable Series of Series 2016 Bonds. The Revenues and the right to receive them have been pledged and assigned to the Trustee for the benefit of the Bondholders of the applicable Series of Series 2016 Bonds.

Each of the respective Loan Agreements is a general obligation of the respective Library and obligates such Library to make payments on account of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the applicable Series of Outstanding Series 2016 Bonds. Such payments are to be made annually on or before March 1, in an amount equal to the interest coming due on the next two succeeding interest payment dates (July 1 and January 1) and the principal and Sinking Fund Installments, if any, coming due on the next succeeding July 1. The Loan Agreements also obligate each of the respective Libraries to pay, at least 45 days prior to a redemption date of their respective Series 2016 Bonds called for redemption, the amount, if any, required to pay the Redemption Price of such Series 2016 Bonds. See "PART 3 - THE SERIES 2016 BONDS - Redemption Provisions."

Pursuant to each respective Loan Agreement, DASNY has directed, and the Libraries have agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the applicable Series of the Series 2016 Bonds.

Authorization of Projects, Payment and Tax Levy

Comsewogue Public Library

By referendum held on November 22, 1993 (the "Comsewogue Referendum"), the qualified voters in the Comsewogue School District authorized Comsewogue to undertake the construction of a new wing on its existing library building and the renovation and rehabilitation of that building (the "Comsewogue Project"). The Comsewogue Referendum also authorized Comsewogue to assign and pledge to DASNY funds in an amount sufficient to make all payments required to be made pursuant to any agreement between Comsewogue and DASNY, and authorized such funds to be raised by real property taxes levied annually on all taxable real property in the Comsewogue School District. The Comsewogue Project was financed by DASNY's Comsewogue Public Library Insured Revenue Bonds, Series 1995, which were refunded by the Series 2005 Comsewogue Bonds. Upon the refunding of the Series 2005 Comsewogue Bonds, the Comsewogue Referendum remains in effect with respect to Comsewogue's obligations in connection with the Series 2016 Comsewogue Bonds. See "Appendix B1 - Certain Financial and Economic Information on Comsewogue Public Library."

Rogers Memorial Library Company

By referendum held on June 7, 1997 (the "Rogers Referendum"), the qualified voters in the Rogers School Districts authorized Rogers to undertake the construction of a new library building and related parking (the "Rogers Project"). The Rogers Referendum also authorized Rogers to assign and pledge to DASNY funds in an amount sufficient to make all payments required to be made pursuant to any agreement between Rogers and DASNY, and authorized such funds to be raised by real property taxes levied annually on all taxable real property in the Rogers School Districts. The Rogers Project was financed by the Series 1998 Rogers Bonds. Upon the refunding of the Series 1998 Rogers Bonds, the Rogers Referendum remains in effect with respect to Rogers' obligations in connection with the Series 2016 Rogers Bonds. See "Appendix B2 - Certain Financial and Economic Information on Rogers Memorial Library Company."

Smithtown Special Library District

By referendum held on March 4, 2008 (the "Smithtown Referendum"), the qualified voters in the Smithtown Library District authorized Smithtown to undertake the construction of an addition to and reconstruction of its main library building and renovation, reconstruction and construction of additions to its three library branches (the "Smithtown Project"). The Smithtown Referendum also authorized Smithtown to assign and pledge to DASNY funds in an amount sufficient to make all payments required to be made pursuant to any agreement between Smithtown and DASNY, and authorized such funds to be raised by real property taxes levied annually on all taxable real property in the Smithtown Library District. The Smithtown Project was financed by the Series 2008 Smithtown Bonds. Upon the refunding of the Series 2008 Smithtown Bonds, the Smithtown Referendum remains in effect with respect to Smithtown's obligations in connection with the Series 2016 Smithtown Bonds. See "Appendix B3 - Certain Financial and Economic Information on Smithtown Special Library District."

Security for the Series 2016 Bonds

Each of the respective Series of the Series 2016 Bonds will be separately secured by the pledge and assignment to the Trustee of the applicable Revenues, the proceeds from the sale of the respective Series of the Series 2016 Bonds (until disbursed as provided in the applicable Resolution) all funds and accounts authorized under the applicable Resolution and established under the applicable Series 2016 Resolution (with the exception of the Arbitrage Rebate Fund) and DASNY's security interest in the applicable Pledged Revenues. There will not be a Debt Service Reserve Fund established in connection with the issuance of the Series 2016 Bonds.

Pledged Revenues

Each of the respective Series of the Series 2016 Bonds will also be separately secured by a pledge of the applicable Pledged Revenues relating to such Series, consisting of all revenues of the applicable Library, including the real property tax levies made on behalf of such Library relating to such Series by the applicable Taxing Entity(ies) on all non-exempt real property situated within such Taxing Entity's (or Taxing Entities') jurisdiction to be paid over annually to the applicable Library and the right to receive such Pledged Revenues. In the event of nonpayment by a Library under such Library's Loan Agreement, DASNY is authorized under the Act to direct State and local officers to pay over to DASNY any and all funds owed to the applicable Library by the State or any political subdivision in an amount sufficient to make all payments required to be made under such Library's Loan Agreement. DASNY's security interest in the respective Pledged Revenues will be a first lien thereon and will not be subject to any preexisting liens. Each Library may incur debt secured by a parity lien on certain of its Pledged Revenues (excluding the portion of its Pledged Revenues representing the tax levy authorized by the applicable referendum) with the prior written consent of DASNY. See "Appendix B1 - Certain Financial and Economic Information on Comsewogue Public Library," "Appendix B2 - Certain Financial and Economic Information on Rogers Memorial Library Company" and "Appendix B3 - Certain Financial and Economic Information on Smithtown Special Library District."

The Series 2016 Bonds will not be a debt of any Taxing Entity nor will any Taxing Entity be liable thereon or under any Loan Agreement.

The Collection Agreements

In connection with the issuance of each Series of the Series 2016 Bonds, each Library, DASNY, the applicable Taxing Entity(ies) and the Trustee will execute a Tax Pledge and Collection Agreement (each, a "Collection Agreement" and, collectively, the "Collection Agreements") governing the remittance and application of the annual tax levied against the taxable real property within the jurisdiction of the applicable Taxing Entity(ies) and collected by the applicable Taxing Entity on behalf of such Library (the respective "Annual Tax"). Pursuant to the applicable Collection Agreement and for so long as the applicable Series 2016 Bonds remain Outstanding, the respective Library directs the applicable Taxing Entity to pay the respective Annual Tax collected by such Taxing Entity directly to the Trustee (the respective "Tax Receipts"). Promptly upon receipt of any Tax Receipts during any calendar year, and in no event later than three (3) business days following receipt of the Tax Receipts, the Trustee shall transfer 30 percent of such Tax Receipts to the applicable Debt Service Fund and 70 percent of such Tax Receipts to the applicable Library until such time as the sum of all Tax Receipts transferred to such Debt Service Fund during such year is equal to the related Debt Service Obligation for such year. Each Library's "Debt Service Obligation" for any year is equal to the sum of principal and sinking fund installments of and interest on the applicable Series of Series 2016 Bonds coming due on July 1 of such year and January 1 of the succeeding year. Following such time as the sum of all Tax Receipts transferred to such Debt Service Fund during such year is equal to the related Debt Service Obligation for such year, the Trustee shall transfer any such Tax Receipts thereafter received in such Tax Receipts Account to the applicable Library. To the extent that a Library makes any payment directly to the Trustee pursuant to its Loan Agreement, such payment shall be taken into account in determining whether the sum of all Tax Receipts transferred to the applicable Debt Service Fund during such year is equal to the applicable Debt Service Obligation for such year.

Events of Default and Acceleration

The Resolutions provide that events of default thereunder and under the applicable Series 2016 Resolution constitute events of default only with respect to the applicable Series of Series 2016 Bonds. The following are events of default under the Resolutions: (i) a default in the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on such Series 2016 Bonds; (ii) DASNY defaults in the due and punctual performance of the tax covenants contained in the applicable Series 2016 Resolution, and, as a result thereof, the interest on such Series 2016 Bonds shall no longer be excludable from gross income under the Code; (iii) a default by DASNY in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in such Series 2016 Bonds or in the applicable Resolution or the applicable Series 2016 Resolution on the part of DASNY to be performed and the continuance of such default for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to DASNY by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25% in principal amount of the Outstanding Bonds of such Series; or (iv) DASNY shall have notified the Trustee that an event of default under the Loan Agreement shall have occurred and is continuing and all sums payable by the applicable Library under its Loan Agreement have been declared immediately due and payable (unless such declaration has been annulled). Unless all sums payable by the applicable Library under its Loan Agreement are declared immediately due and payable, an event of default under a Loan Agreement is not an event of default under the applicable Resolution.

The Resolutions provide that if an event of default (other than as described in clause (ii) of the preceding paragraph) occurs and continues, the Trustee, upon the written request of the Holders of not less than 25% in principal amount of the applicable Series of Outstanding Series 2016 Bonds, shall by notice in writing to DASNY, declare the principal of and interest on all of the Outstanding Series 2016 Bonds of such Series to be due and payable. At the expiration of 30 days from the giving of such notice, such principal and interest shall become immediately due and payable. The Trustee, with the written consent of the Holders of not less than 25% in principal amount of Series 2016 Bonds of such Series not yet due by their terms and then Outstanding, may annul such declaration and its consequences under the terms and conditions specified in the applicable Resolution with respect to such annulment.

The Holders of not less than a majority in principal amount of the Outstanding Series 2016 Bonds of a Series have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee with respect to such Series of Series 2016 Bonds.

The Resolutions provide that the Trustee shall give notice in accordance with such Resolution of each event of default known to the Trustee to the Holders of the applicable Series of Series 2016 Bonds within 30 days after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that except in the case of default in the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of, or interest on, any of such Series 2016 Bonds, the Trustee shall be protected in withholding such notice thereof to the Holders if the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of such Series 2016 Bonds.

General

The Series 2016 Bonds will not be a debt of the State or any Taxing Entity nor will the State or any Taxing Entity be liable thereon. DASNY has no taxing power. See “PART 6 - DASNY.”

PART 3 - THE SERIES 2016 BONDS

Description of the Series 2016 Bonds

The Series 2016 Bonds will be issued pursuant to the Resolutions and the respective Series 2016 Resolutions, will be dated their date of delivery and will bear interest from such date (payable July 1, 2016 and on each January 1 and July 1 thereafter) at the rates and will mature at the times set forth on the inside cover page of this Official Statement. Interest on the Series 2016 Bonds shall accrue based upon a 360-day year of twelve 30-day months.

The Series 2016 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2016 Bonds may be exchanged for Series 2016 Bonds of such Series in any other authorized denomination of the same maturity. The Trustee may impose a charge sufficient to reimburse DASNY or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Series 2016 Bond.

The principal or Redemption Price of the Series 2016 Bonds will be payable at the principal corporate trust office of U.S. Bank National Association, New York, New York, as the Trustee. The Redemption Price of a Series 2016 Bond will be paid to any Bondholder of $1,000,000 or more in aggregate principal amount of Series 2016 Bonds by wire transfer to the wire transfer address within the continental United States specified by such Bondholder in the written request of such Bondholder made to the Trustee at the time the Series 2016 Bonds to be redeemed are presented and surrendered to the Trustee.

Interest on the Series 2016 Bonds will be payable by check or draft mailed to the registered owners thereof at their addresses as shown on the registration books held by the Trustee. Interest is payable to the registered owners who are such registered owners at the close of business on the fifteenth day of the calendar month next preceding an interest payment date. In the event the Series 2016 Bonds shall no longer be issued in book-entry only form, interest will be paid to any Bondholder of $1,000,000 or more aggregate principal amount of Series 2016 Bonds by wire transfer to the wire transfer address within the continental United States specified by such Bondholder, upon the written request of such Holder received not less than 5 days prior to the Record Date, which written request may apply to multiple interest payment dates.

For a more complete description of the Series 2016 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolutions."

Redemption and Purchase in Lieu of Redemption Provisions

Optional Redemption

The Series 2016 Bonds of each Series maturing on or before July 1, 2026, are not subject to optional redemption prior to maturity. The Series 2016 Bonds of each Series maturing after July 1, 2026, are subject to redemption prior to maturity on or after July 1, 2026, in any order at the option of DASNY, as a whole or in part at any time, at a Redemption Price of 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

Special Redemption

Each Series of the Series 2016 Bonds is also subject to redemption as a whole or in part at any time at a Redemption Price of 100% of the principal amount thereof, from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the applicable Project.

Selection of Bonds to be Redeemed

In the case of redemptions or purchases of the Series 2016 Bonds of each Series described above under the subheadings *"Optional Redemption"* or *"Purchase in Lieu of Redemption,"* DASNY will select the maturities of the Series 2016 Bonds of each Series to be redeemed or purchased. In the case of redemption of Series 2016 Bonds of each Series described above under the subheading *"Special Redemption,"* Series 2016 Bonds of the applicable Series will be redeemed to the extent practicable pro rata among the Outstanding Series 2016 Bonds of the applicable Series of each maturity, but only in integral multiples of $5,000 within each maturity. If less than all of the Series 2016 Bonds of a Series and of a maturity are to be redeemed (pursuant to an optional, special or mandatory redemption), the Series 2016 Bonds of such Series and of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2016 Bonds of a Series in the name of DASNY given by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to the registered owners of any Series 2016 Bonds of a Series which are to be redeemed, at their last known addresses appearing on the registration books. The failure of any owner of a Series 2016 Bond of a Series to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2016 Bond. If directed in writing by an Authorized Officer of DASNY, the Trustee is to publish or cause to be published such notice in an Authorized Newspaper not less than 30 days nor more than 45 days prior to the redemption date, but such publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2016 Bonds.

If, on the redemption date, moneys for the redemption of the Series 2016 Bonds of a Series and of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption shall have been mailed, then interest on the Series 2016 Bonds of such Series and of such maturity will cease to accrue from and after the redemption date and such Series 2016 Bonds of such Series will no longer be considered to be Outstanding under the applicable Resolution and the applicable Series 2016 Resolution. DASNY's obligation to redeem any Series 2016 Bonds at its option may be conditioned upon the availability on the redemption date of sufficient money to pay the Redemption Price, including accrued interest to the redemption date, of such Series 2016 Bonds to be redeemed.

Purchase in Lieu of Redemption

The Series 2016 Bonds of each Series maturing on or before July 1, 2026 are not subject to purchase in lieu of redemption prior to maturity. The Series 2016 Bonds of each Series maturing after July 1, 2026 are subject to purchase in lieu of redemption prior to maturity on or after July 1, 2026, at the option of the applicable Library with the prior written consent of DASNY, as a whole or in part at any time, at a purchase price of 100% of the principal amount to be purchased (the "Purchase Price") plus accrued interest to the date set for purchase (the "Purchase Date").

Notice of Purchase in Lieu of Redemption and Its Effect

Notice of purchase of the Series 2016 Bonds of a Series in lieu of redemption will be given in the name of the applicable Library to the registered owners of the Series 2016 Bonds of such Series to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the Purchase Date specified in such notice. The Series 2016 Bonds of such Series to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2016 Bonds of such Series to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. In the event the Series 2016 Bonds of a Series are called for purchase in lieu of redemption, such purchase shall not operate to extinguish the indebtedness of DASNY evidenced thereby or modify the terms of the Series 2016 Bonds of such Series and such Series 2016 Bonds need not be cancelled, but shall remain Outstanding under the applicable Resolution and in such case shall continue to bear interest.

Each Library's obligation to purchase a Series 2016 Bond of the applicable Series to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2016 Bonds of such Series to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2016 Bonds of such Series to be purchased, the former registered owners of such Series 2016 Bonds will have no claim thereunder or under the applicable Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2016 Bonds of such Series tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2016 Bonds in accordance with their respective terms.

In the event that not all of the Outstanding Series 2016 Bonds of a Series and of a maturity are to be purchased, the Series 2016 Bonds of such Series and of such maturity to be purchased will be selected by lot in the same manner as Series 2016 Bonds of such Series and of a maturity to be redeemed in part are to be selected.

For a more complete description of the redemption, purchase in lieu of redemption and other provisions relating to the Series 2016 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolutions."

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016 Bond certificate will be issued for each maturity of each Series of the Series 2016 Bonds, each in the aggregate the principal amount of such Series of the Series 2016 Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities

Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com

Purchases of the Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in any Series of the Series 2016 Bonds, except in the event that use of the book-entry system for a Series of the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds within a maturity of a Series of the Series 2016 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DASNY as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2016 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DASNY or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DASNY or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to a Series of the Series 2016 Bonds at any time by giving reasonable notice to DASNY or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2016 Bond certificates for such Series are required to be printed and delivered.

DASNY may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2016 Bond certificates for applicable Series will be printed and delivered to DTC.

For every transfer and exchange of any of the Series 2016 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry-Only System" has been extracted from information furnished by DTC. None of DASNY, the Libraries, the Trustee or the Underwriter make an representation as to the completeness or the accuracy of such information or as the absence of material adverse changes in such information subsequent to the date hereof.

DASNY, THE LIBRARIES, THE TRUSTEE AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, OR THE DIRECT OR INDIRECT PARTICIPANTS, WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2016 BONDS (1) PAYMENTS OF PRINCIPAL, PURCHASE PRICE OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2016 BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN SERIES 2016 BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2016 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, OR THE DIRECT OR INDIRECT PARTICIPANTS, WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NONE OF DASNY, THE LIBRARIES, THE TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, OR THE DIRECT OR INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT OR INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY DASNY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2016 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2016 Bonds (other than under "PART 10 - TAX MATTERS" herein) mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2016 Bonds.

Principal and Interest Requirements for the Series 2016 Bonds

Series 2016 Comsewogue Bonds

The following table sets forth the amounts required to be paid by Comsewogue during each twelve-month period ending June 30 of the Bond Years shown for the payment of the principal of and interest on the Series 2016 Comsewogue Bonds payable on the succeeding July l, the interest on the Series 2016 Comsewogue Bonds payable on the succeeding January l and the aggregate payments to be made by Comsewogue during each such period with respect to the Series 2016 Comsewogue Bonds.

12 Month Period Ending June 30	Principal	Interest Payments	Total Debt Service
2016	$235,000	$77,744.86	$312,744.86
2017	230,000	86,200.00	316,200.00
2018	240,000	76,800.00	316,800.00
2019	250,000	67,000.00	317,000.00
2020	250,000	59,500.00	309,500.00
2021	265,000	50,375.00	315,375.00
2022	280,000	36,750.00	316,750.00
2023	290,000	22,500.00	312,500.00
2024	305,000	7,625.00	312,625.00

Series 2016 Rogers Bonds

The following table sets forth the amounts required to be paid by Rogers during each twelve-month period ending June 30 of the Bond Years shown for the payment of the principal of and interest on the Series 2016 Rogers Bonds payable on the succeeding July l, the interest on the Series 2016 Rogers Bonds payable on the succeeding January l and the aggregate payments to be made by Rogers during each such period with respect to the Series 2016 Rogers Bonds.

12 Month Period Ending June 30	Principal	Interest Payments	Total Debt Service
2016	$180,000	$74,418.00	$254,418.00
2017	195,000	86,217.50	281,217.50
2018	205,000	82,802.50	287,802.50
2019	205,000	79,287.50	284,287.50
2020	215,000	75,087.50	290,087.50
2021	205,000	67,812.50	272,812.50
2022	220,000	57,187.50	277,187.50
2023	225,000	49,437.50	274,437.50
2024	240,000	41,187.50	281,187.50
2025	240,000	29,187.50	269,187.50
2026	245,000	17,062.50	262,062.50
2027	260,000	8,337.50	268,337.50
2028	255,000	2,868.75	257,868.75

Series 2016 Smithtown Bonds

The following table sets forth the amounts required to be paid by Smithtown during each twelve-month period ending June 30 of the Bond Years shown for the payment of the principal of and interest on the Series 2016 Smithtown Bonds payable on the succeeding July l, the interest on the Series 2016 Smithtown Bonds payable on the succeeding January l and the aggregate payments to be made by Smithtown during each such period with respect to the Series 2016 Smithtown Bonds.

12 Month Period Ending June 30	Principal	Interest Payments	Total Debt Service
2016	$ 920,000	$565,221.81	$1,485,221.81
2017	880,000	651,950.00	1,531,950.00
2018	925,000	615,850.00	1,540,850.00
2019	965,000	578,050.00	1,543,050.00
2020	1,000,000	533,750.00	1,533,750.00
2021	1,055,000	482,375.00	1,537,375.00
2022	1,110,000	428,250.00	1,538,250.00
2023	1,170,000	371,250.00	1,541,250.00
2024	1,230,000	311,250.00	1,541,250.00
2025	1,295,000	248,125.00	1,543,125.00
2026	1,365,000	181,625.00	1,546,625.00
2027	1,435,000	111,625.00	1,546,625.00
2028	1,515,000	37,875.00	1,552,875.00

PART 4 - THE REFUNDING PLANS

Series 2016 Comsewogue Bonds

The proceeds of the Series 2016 Comsewogue Bonds and other available funds will be used to pay (i) the principal, interest and redemption price of the Series 2005 Comsewogue Bonds and (ii) certain costs related to the issuance of the Series 2016 Comsewogue Bonds. Such proceeds and other available funds will be sufficient to pay the interest on and the principal and redemption price of the Series 2005 Comsewogue Bonds coming due on their redemption date, which will be within 90 days of the issuance of the Series 2016 Comsewogue Bonds. Simultaneously with the issuance and delivery of the Series 2016 Comsewogue Bonds, such proceeds and other available funds will be deposited with the trustee under the resolution pursuant to which the Series 2005 Comsewogue Bonds were issued (the "Series 2005 Comsewogue Resolution"). At the time of such deposits, DASNY will give such trustee irrevocable instructions to give notice of the redemption of the Series 2005 Comsewogue Bonds. In the opinions of Hodgson Russ LLP and Golden Holley James LLP, upon making such deposits with the trustee under the Series 2005 Comsewogue Resolution and the giving of such irrevocable instructions, the Series 2005 Comsewogue Bonds will, under the terms of the Series 2005 Comsewogue Resolution, be deemed to have been paid, will no longer be outstanding and the covenants, agreements and obligations of DASNY with respect to the Series 2005 Comsewogue Bonds under the Series 2005 Comsewogue Resolution will be discharged and satisfied.

Series 2016 Rogers Bonds

The proceeds of the Series 2016 Rogers Bonds and other available funds will be used to pay (i) the principal, interest and redemption price of the Series 1998 Rogers Bonds and (ii) certain costs related to the issuance of the Series 2016 Rogers Bonds. Such proceeds and other available funds will be sufficient to pay the interest on and the principal and redemption price of the Series 1998 Rogers Bonds coming due on their redemption date, which will be within 90 days of the issuance of the Series 2016 Rogers Bonds. Simultaneously with the issuance and delivery of the Series 2016 Rogers Bonds, such proceeds and other available funds will be deposited with the trustee under the resolution pursuant to which the Series 1998 Rogers Bonds were issued (the "Series 1998 Rogers Resolution"). At the time of such deposits, DASNY will give such trustee irrevocable instructions to give notice of the redemption of the Series 1998 Rogers Bonds. In the opinions of Hodgson Russ LLP and Golden Holley James LLP, upon making such deposits with the trustee under the Series 1998 Rogers Resolution and the giving of such irrevocable instructions, the Series 1998 Rogers Bonds will, under the terms of the Series 1998 Rogers Resolution, be deemed to have been paid, will no longer be outstanding and the covenants, agreements and obligations of DASNY with respect to the Series 1998 Rogers Bonds under the Series 1998 Rogers Resolution will be discharged and satisfied.

Series 2016 Smithtown Bonds

The proceeds of the Series 2016 Smithtown Bonds and other available funds will be used to pay (i) the principal, interest and redemption price of the Series 2008 Smithtown Bonds and (ii) certain costs related to the issuance of the Series 2016 Smithtown Bonds. Such proceeds and other available funds will be used to purchase direct non-callable obligations of the United States of America (the "Governmental Securities"), the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay the interest on and the principal and redemption price of the Series 2008 Smithtown Bonds coming due on their redemption date or, with respect to Series 2008 Smithtown Bonds maturing on or prior to July 1, 2018, their maturity date. Simultaneously with the issuance and delivery of the Series 2016 Smithtown Bonds, such Governmental Securities will be deposited with the trustee under the resolution pursuant to which the Series 2008 Smithtown Bonds were issued (the "Series 2008 Smithtown Resolution"). At the time of such deposits, DASNY will give such trustee irrevocable instructions to give notice of the redemption of the Series 2008 Smithtown Bonds subject to redemption and to apply the maturing principal of and interest on the Governmental Securities, together with any uninvested cash, held in trust solely for the payment of the principal, interest and redemption price coming due on the respective Series 2008 Smithtown Bonds. In the opinions of Hodgson Russ LLP and Golden Holley James LLP, upon making such deposits with the trustee under the Series 2008 Smithtown Resolution and the giving of such irrevocable instructions, the Series 2008 Smithtown Bonds will, under the terms of the Series 2008 Smithtown Resolution, be deemed to have been paid, will no longer be outstanding and the covenants, agreements and obligations of DASNY with respect to the Series 2008 Smithtown Bonds under the Series 2008 Smithtown Resolution will be discharged and satisfied. The Series 2008 Smithtown Bonds maturing after July 1, 2018 are expected to be redeemed on July 1, 2018.

PART 5 - ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

	Series 2016 Comsewogue Bonds	Subseries 2016A Rogers Bonds	Subseries 2016B Rogers Bonds	Series 2016 Smithtown Bonds
Sources of Funds				
Principal Amount of Series 2016 Bonds	$2,345,000.00	$2,760,000.00	$130,000.00	$14,865,000.00
Net Original Issue Premium	328,907.95	318,058.65	-	2,957,391.90
Funds on Hand	396,344.10	9,529.16	-	-
Total Sources	$3,070,252.05	$3,087,587.81	$130,000.00	$17,822,391.90
Uses of Funds				
Deposit to Refunding Escrows	$2,892,090.98	$3,028,644.70	-	$17,567,207.12
Costs of Issuance[1]	149,492.83	41,896.90	$113,217.65	158,942.67
Underwriter's Discount	28,668.24	17,046.21	16,782.35	96,242.11
Total Uses	$3,070,252.05	$3,087,587.81	$130,000.00	$17,822,391.90

[1]Includes legal fees, DASNY fee, and other costs related to the issuance of the Series 2016 Bonds.

PART 6 - DASNY

Background, Purposes and Powers

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers' colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the State Legislature has expanded DASNY's scope of responsibilities. Today, pursuant to the Dormitory Authority Act, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues State-supported debt, including State Personal Income Tax Revenue Bonds and State Sales Tax Revenue Bonds, on behalf of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services ("BOCES"), State University of New York, the Workers' Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY's private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At December 31, 2015, DASNY had approximately $48.1 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance with tax law, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. All of DASNY's outstanding bonds and notes, both fixed and variable rate, are special obligations of DASNY payable solely from payments required to be made by or for the account of the client institution for which the particular special obligations were issued. DASNY has no obligation to pay its special obligations other than from such payments. DASNY has always paid the principal of and interest on all of its obligations on time and in full; however, as a conduit debt issuer, payments on DASNY's special obligations are solely dependent upon payments made by DASNY's client for which the particular special obligations were issued and the security provisions relating thereto.

DASNY also offers a variety of construction services to certain educational, governmental and not-for-profit institutions in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, interior design of projects and designing and managing projects to rehabilitate older facilities.

In connection with the powers described above, DASNY has the general power to acquire real and personal property, give mortgages, make contracts, operate certain facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, borrow money and adopt a program of self-insurance.

DASNY has a staff of approximately 490 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 45 field sites across the State.

Governance

DASNY is governed by an eleven-member board. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at DASNY meetings. The members of DASNY serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties. One of the appointments to the Board by the Governor is currently vacant.

The Governor of the State appoints a Chair from the members appointed by him or her and the members of DASNY annually choose the following officers, of which the first two must be members of DASNY: Vice-Chair, Secretary, Treasurer, Assistant Secretaries and Assistant Treasurers.

The current members of DASNY are as follows:

ALFONSO L. CARNEY, JR., *Chair*, New York.

Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2016.

JOHN B. JOHNSON, JR., *Vice-Chair,* Watertown.

John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Johnson is Chairman of the Board of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2016.

SANDRA M. SHAPARD, *Secretary*, Delmar.

Sandra M. Shapard was appointed as a Member of DASNY by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of the Budget from 1991 to 1994. She began her career in New York State government with the Assembly where she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

JONATHAN H. GARDNER, Esq., Buffalo.

Jonathan H. Gardner was appointed as a Member of DASNY by the Governor on June 17, 2014. Mr. Gardner is a partner of the law firm Kavinoky Cook, LLP in Buffalo, New York. His practice areas include corporate and securities law, commercial transactions, private placements, venture capital financing and business combinations representing private and public companies. Mr. Gardner is also an adjunct professor at the University of Buffalo Law School. He holds a Bachelor of Arts degree from Brown University and a Juris Doctor degree from the University of Chicago Law School. Mr. Gardner's term expired on March 31, 2015 and by law he continues to serve until a successor shall be chosen and qualified.

BERYL L. SNYDER, J.D., New York.

Beryl L. Snyder was reappointed as a member of DASNY by the Governor on June 19, 2013. Ms. Snyder is a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expires on August 31, 2016.

GERARD ROMSKI, Esq., Mount Kisco.

Gerard Romski was reappointed as a Member of DASNY by the Temporary President of the State Senate on June 21, 2012. He is Counsel and Project Executive for "Arverne by the Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, New York. Mr. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

ROMAN B. HEDGES, Ph.D., Delmar.

Roman B. Hedges was appointed as a Member of DASNY by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. He was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

MARYELLEN ELIA, *Commissioner of Education of the State of New York,* Loudonville; *ex-officio.*

MaryEllen Elia was appointed by the Board of Regents to serve as Commissioner of Education and President of the University of the State of New York effective July 6, 2015. As Commissioner of Education, Ms. Elia serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Prior to her appointment in New York, Ms. Elia served as Superintendent of Schools in Hillsborough County, Florida for 10 years. She began her career in education in 1970 as a social studies teacher in Buffalo's Sweet Home Central School District and taught for 19 years before becoming an administrator. She holds a Bachelor of Arts degree in

History from Daemen College in Buffalo, a Master of Education from the University at Buffalo and a Master of Professional Studies from SUNY Buffalo.

HOWARD A. ZUCKER, M.D., J.D., *Commissioner of Health of the State of New York*, Albany; *ex-officio*.

Howard A. Zucker, M.D., J.D., was appointed Commissioner of Health on May 5, 2015 after serving as Acting Commissioner of Health since May 5, 2014. Prior to that he served as First Deputy Commissioner leading the state Department of Health's preparedness and response initiatives in natural disasters and emergencies. Before joining the state Department of Health, Dr. Zucker was professor of Clinical Anesthesiology at Albert Einstein College of Medicine of Yeshiva University and a pediatric cardiac anesthesiologist at Montefiore Medical Center. He was also an adjunct professor at Georgetown University Law School where he taught biosecurity law. Dr. Zucker earned his medical degree from George Washington University School of Medicine. He also holds a J.D. from Fordham University School of Law and a LL.M. from Columbia Law School.

ROBERT F. MUJICA, JR. *Budget Director of the State of New York, Albany; ex-officio.*

Robert F. Mujica Jr. was appointed Director of the Budget by the Governor and began serving on January 14, 2016. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio. Prior to his appointment, Mr. Mujica was Chief of Staff to the Temporary President and Majority Leader of the Senate and concurrently served as the Secretary to the Senate Finance Committee. For two decades, he advised various elected and other government officials in New York on State budget, fiscal and policy issues. Mr. Mujica received his B.A. degree in Sociology from Brooklyn College at the City University of New York. He received his Master's degree in Government Administration (M.G.A.) from the University of Pennsylvania and holds a Juris Doctorate (J.D.) from Albany Law School.

The principal staff of DASNY is as follows:

GERRARD P. BUSHELL is the President and chief executive officer of DASNY. Mr. Bushell is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Bushell was Director, Senior Institutional Advisor of BNY Mellon's alternative and traditional investment management businesses. Prior thereto, he held a number of senior advisory roles, including Director, Client Partner Group at Kohlberg Kravis Roberts & Co. (KKR), Managing Director, Institutional Sales at Arden Asset Management LLC and Head of Institutional Sales at ClearBridge: a Legg Mason Company (formerly Citi Asset Management). Mr. Bushell previously served as Director of Intergovernmental Affairs for New York State Comptroller H. Carl McCall. Mr. Bushell holds a Bachelor of Arts degree, Master of Arts degree and Ph.D. in Political Science from Columbia University.

MICHAEL T. CORRIGAN is the Vice President of DASNY, and assists the President in the administration and operation of DASNY. Mr. Corrigan came to DASNY in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County and served as the County's Budget Director from 1986 to 1995. Immediately before coming to DASNY, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor of Arts degree in Economics from the State University of New York at Plattsburgh and a Master of Arts degree in Business Administration from the University of Massachusetts.

KIMBERLY J. NADEAU, CPA, J.D. is the Chief Financial Officer and Treasurer of DASNY. As Chief Financial Officer and Treasurer, Ms. Nadeau is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable and financial reporting functions, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. She previously was Vice President-Accounting and Controller for US Light Energy. Prior to that she was Vice President-Accounting and Controller for CH Energy Group, Inc. and held various positions culminating in a director level position at Northeast Utilities. Ms. Nadeau also held various positions with increasing responsibility at Coopers & Lybrand LLP. She holds a Bachelor of Science degree in Accounting, a Master of Business Administration with a concentration in Management and a Juris Doctor degree from the University of Connecticut. She is licensed to practice law in New York and Connecticut.

MICHAEL E. CUSACK is General Counsel to DASNY. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all DASNY financings. He is licensed to practice law in the State of New York and the Commonwealth of Massachusetts, as well as the United States District Court for the Northern District of New York. Mr. Cusack has over twenty years of combined legal experience, including management of an in-house legal department and external counsel teams (and budgets) across a five-state region. He most recently served as of counsel to the Albany, New York law firm of Young/Sommer, LLC, where his practice included representation of upstate New York municipalities, telecommunications service providers in the siting of public utility/personal wireless service facilities and other private sector clients. He holds a Bachelor of Science degree from Siena College and a Juris Doctor degree from Albany Law School of Union University.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. She holds a Bachelor of Arts degree from the State University of New York at Albany.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined DASNY in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and has worked in the construction industry for more than 30 years. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CAROLINE V. GRIFFIN is the Chief of Staff of DASNY. She is responsible for overseeing intergovernmental relations and managing the Communications + Marketing Department, as well as coordinating policy and operations across DASNY's multiple business lines. Ms. Griffin most recently served as the Director of Intergovernmental Affairs for Governor Andrew M. Cuomo where she worked as the Governor's liaison with federal, state and local elected officials and managed staff serving in various capacities in the Governor's Office. Prior to that she served as the Assistant Executive Deputy Secretary for Governor Andrew M. Cuomo overseeing the operations staff and Assistant Secretary for Intergovernmental Affairs for both Governor David A. Paterson and Governor Eliot Spitzer. She holds a Bachelor of Arts degree in Communications from Boston College.

CAPRICE G. SPANN is the Managing Director of the Office of Executive Initiatives. Ms. Spann is responsible for strategic efforts in program development, including the utilization of Minority and Women-Owned Businesses and Service-Disabled Veteran-Owned ("SDVO") Business Enterprises, Information Services and the integration of Sustainability Programs with respect to DASNY's projects and in its business processes. She holds a Bachelor of Arts degree from the University of Wisconsin and a Master of Business Administration from Fordham University.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against DASNY, DASNY believes that such claims and litigation either are covered by insurance or by bonds filed with DASNY, or that DASNY has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such matters.

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by DASNY and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. DASNY obtains the approval of the PACB for the issuance of all of its bonds and notes.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect DASNY and its operations. DASNY is not able to represent whether such bills will be introduced or become law in the future. In addition, the State undertakes periodic studies of public authorities in the State (including DASNY) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect DASNY and its operations.

Environmental Quality Review

DASNY complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2015. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 7 - LEGALITY OF THE SERIES 2016 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2016 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities of the State may limit the investment of funds of such authorities in the Series 2016 Bonds.

The Series 2016 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 8 - NEGOTIABLE INSTRUMENTS

The Series 2016 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolutions and in the Series 2016 Resolutions.

PART 9 - TAX MATTERS

Opinion of Co-Bond Counsel

In the opinion of Hodgson Russ LLP and Golden Holley James LLP, Co-Bond Counsel, under existing law, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and certifications made by DASNY and the Library described below and compliance with the below mentioned covenants, interest on the Series 2016 Comsewogue Bonds, the Series 2016 Smithtown Bonds and the Subseries 2016A Rogers Bonds (the "Tax-Exempt Bonds") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Co-Bond Counsel are also of the opinion that such interest on the Tax-Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Tax-Exempt Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

Co-Bond Counsel are further of the opinion that interest on the Subseries 2016B Rogers Bonds is included in gross income for federal income tax purposes.

Co-Bond Counsel are also of the opinion that interest on the Series 2016 Bonds is exempt from personal income taxes of the State of New York and any political subdivision thereof, including The City of New York and the City of Yonkers. Co-Bond Counsel express no opinion regarding any other State of New York or local tax consequences arising with respect to the Series 2016 Bonds nor as to the taxability of the Series 2016 Bonds or the income therefrom under the laws of any state other than the State of New York.

Certain Ongoing Federal Tax Requirements and Covenants

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Tax-Exempt Bonds, use of the facilities financed or refinanced with the proceeds of the Series 2016 Bonds, yield and other restrictions on investments of gross proceeds and other amounts, and the arbitrage rebate requirement that certain earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements with respect to a particular series or subseries of the Tax-Exempt Bonds could cause interest on such particular series or subseries of the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2016 Bonds, irrespective of the date on which such noncompliance occurs. DASNY has covenanted in the Series 2016 Resolution and each Library has covenanted in its related Loan Agreement to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Tax-Exempt Bonds related to such Library from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, DASNY and each Library have made certain representations, certifications and covenants in their respective tax compliance agreements relating to particular series or subseries of the Tax-Exempt Bonds related to such Library. Co-Bond Counsel will not independently verify the accuracy of those representations, certifications and covenants.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain Federal income tax matters with respect to the Tax-Exempt Bonds under existing statutes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a particular Tax-Exempt Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Tax-Exempt Bonds.

As noted above, interest on the Tax-Exempt Bonds may be taken into account in computing the tax liability of corporations subject to the federal alternative minimum tax imposed by Section 55 of the Code. Interest on the Tax-Exempt Bonds may also be taken into account in computing the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Ownership or disposition of, or the accrual or receipt of interest on, the Tax-Exempt Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, financial institutions, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2016 Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the related series or subseries of Series 2016 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of a series or subseries of the Series 2016 Bonds is expected to be the initial public offering price set forth on the cover page of this Official Statement. Co-Bond Counsel further are of the opinion that, for any Tax-Exempt Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of such Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Tax-Exempt Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods at least annually, using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment. For example, corporate owners of a Discount Bond should be aware that the accrued OID in each year may result in an alternative minimum tax liability even though such owners have not received a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Original Issue Premium

In general, if an owner acquires a Series 2016 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2016 Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2016 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the authorization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to the period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a tax-exempt Premium Bond may realize a taxable gain upon disposition of the tax-exempt Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, or sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest paid on tax-exempt as well as taxable obligations, including the Series 2016 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2016 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2016 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Other Impacts

Co-Bond Counsel are not rendering any opinion as to any Federal tax matters other than those described under the caption "Tax Matters". Prospective investors, particularly those who may be subject to special rules mentioned above, are advised to consult their own tax advisors regarding the federal, state and local tax consequences of owning or disposing of the Series 2016 Bonds.

Changes in Law and Post Issuance Events

The Code has been continuously subject to legislative modifications, amendments and revisions, and proposals for further changes are regularly submitted by leaders of the legislative and executive branches of the federal government. Future legislative proposals, if enacted into law, clarifications of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners of the Tax-Exempt Bonds ("Beneficial Owners") from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarifications of the Code or court decisions may also affect the market price for, or marketability of, the Tax-Exempt Bonds. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel express no opinion.

The engagement of Co-Bond Counsel with respect to the Series 2016 Bonds ends with the issuance of the Series 2016 Bonds. The Internal Revenue Service has established an active audit program of certain tax-exempt entities and tax-exempt bonds issued by state and local government units. Unless separately engaged, Co-Bond Counsel are not obligated to defend DASNY, the related Library or the Beneficial Owners regarding the tax-exempt status of any series or subseries of the Tax-Exempt Bonds in the event of an audit examination of such series or subseries by the Internal Revenue Service. Under current procedures, parties other than DASNY, the related Library and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Internal Revenue Service positions, with which DASNY or the related Library legitimately disagrees, may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of a series or subseries of the Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, such series or subseries of the Series 2016 Bonds, and may cause DASNY, the related Library or the Beneficial Owners to incur significant expense.

Co-Bond Counsel have not undertaken to advise in the future whether any events occurring after the date of issuance and delivery of the Series 2016 Bonds may affect the tax status of interest on the Series 2016 Bonds. Co-Bond Counsel express no opinion as to any Federal, state or local tax law consequences with respect to the Series 2016 Bonds, or the interest thereon, if any action is taken with respect to the Series 2016 Bonds or the proceeds thereof upon the advice or approval of other counsel.

Forms of Opinions of Co-Bond Counsel

The forms of the approving opinions of Co-Bond Counsel particular series or subseries of the Series 2016 Bonds are attached hereto as Appendix F. See "Forms of Approving Opinions of Co-Bond Counsel" in APPENDIX F.

PART 10 - STATE NOT LIABLE ON THE SERIES 2016 BONDS

The Act provides that notes and bonds of DASNY shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of DASNY. The Resolutions specifically provide that the Series 2016 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 11 - COVENANT BY THE STATE

The Act states that the State pledges and agrees with the holders of DASNY's notes and bonds that the State will not limit or alter the rights vested in DASNY to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of DASNY's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Notwithstanding the State's pledges and agreements contained in the Act, the State may in the exercise of its sovereign power enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with DASNY and with the holders of DASNY's notes or bonds.

PART 12 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2016 Bonds by DASNY are subject to the approval of Hodgson Russ LLP, Albany, New York, and Golden Holley James LLP, New York, New York, Co-Bond Counsel, whose approving opinions will be delivered with the Series 2016 Bonds. The proposed form of those approving opinions is set forth in Appendix F hereto. Certain legal matters will be passed upon for the Libraries by their Counsel, Kevin A. Seaman, Attorney at Law, Stony Brook, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Gonzalez Saggio & Harlan LLP, New York, New York or another firm acceptable to the Underwriter.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2016 Bonds or questioning or affecting the validity of the Series 2016 Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of DASNY to refinance the Projects in accordance with the provisions of the Act, the Resolutions, the Series 2016 Resolutions and the Loan Agreements.

PART 13 - UNDERWRITING

Raymond James & Associates, Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase the Series 2016 Comsewogue Bonds from DASNY at an aggregate purchase price of $2,645,239.71 and to make a public offering of Series 2016 Comsewogue Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all such Series 2016 Comsewogue Bonds if any are purchased.

The Underwriter has also agreed, subject to certain conditions, to purchase the Subseries 2016A Rogers Bonds from DASNY at an aggregate purchase price of $3,061,012.44 and to make a public offering of Subseries 2016A Rogers Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all such Subseries 2016A Rogers Bonds if any are purchased.

The Underwriter has also agreed, subject to certain conditions, to purchase the Subseries 2016B Rogers Bonds from DASNY at an aggregate purchase price of $113,217.65 and to make a public offering of Subseries 2016B Rogers Bonds. The Underwriter will be obligated to purchase all such Subseries 2016B Rogers Bonds if any are purchased.

The Underwriter has further agreed, subject to certain conditions, to purchase the Series 2016 Smithtown Bonds from DASNY at an aggregate purchase price of $17,726,149.79 and to make a public offering of Series 2016 Smithtown Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all such Series 2016 Smithtown Bonds if any are purchased.

The Series 2016 Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter without notice.

PART 14 - VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C., a firm of independent public accountants, will deliver to DASNY its report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by DASNY and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the Investment Securities deposited with the trustees under the resolutions pursuant to which the Series 2005 Comsewogue Bonds, the Series 1998 Rogers Bonds and the Series 2008 Smithtown Bonds were issued to respectively pay the principal or redemption price of and interest coming due on the Series 2005 Comsewogue Bonds, the Series 1998 Rogers Bonds and the Series 2008 Smithtown Bonds on and prior to their respective maturity or redemption dates as described in "PART 4 - THE

REFUNDING PLANS." Causey Demgen & Moore P.C. will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal of and interest on the Series 2016 Bonds will be paid as described in the schedules provided to them, or the exclusion of the interest on the Series 2016 Bonds from gross income for federal income tax purposes.

PART 15 - CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), each Library will enter into a written agreement (each, a "Continuing Disclosure Agreement") for the benefit of the Holders of the applicable Series of Series 2016 Bonds with Digital Assurance Certification LLC ("DAC"), as disclosure dissemination agent, the Trustee, and DASNY. The proposed form of Continuing Disclosure Agreements is attached as Appendix E hereto.

In the previous five years, none of the Libraries has failed to comply in all material respects with any previous undertakings in a written contract or agreement pursuant to paragraph (b)(5)(i) of Rule 15c2-12.

PART 16 - RATINGS

Moody's Investors Service ("Moody's") has assigned ratings of "Aa2" to the Series 2016 Comsewogue Bonds, "Aaa" to the Series 2016 Rogers Bonds and "Aa2" to the Series 2016 Smithtown Bonds. Such ratings reflect only the views of such rating agency and any desired explanation of the significance of such ratings or any outlook or other statement with respect thereto should be obtained from the rating agency at the following address: Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that such ratings will prevail for any given period of time or that any or all of them will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the applicable Series of Series 2016 Bonds.

PART 17 - MISCELLANEOUS

References in this Official Statement to the Act, the Resolutions, the Series 2016 Resolutions and the Loan Agreements do not purport to be complete. Refer to the Act, the Resolutions, the Series 2016 Resolutions and the Loan Agreements for full and complete details of their provisions. Copies of the Resolutions, the Series 2016 Resolutions and the Loan Agreements are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of each Series of the Series 2016 Bonds are fully set forth in the respective Resolutions and the respective Series 2016 Resolutions. Neither any advertisement of the Series 2016 Bonds nor this Official Statement is to be construed as a contract with purchasers of any Series of the Series 2016 Bonds.

Any statements in this Official Statement involving matters of opinion, whether or not expressly stated, are intended merely as expressions of opinion and not as representations of fact.

The information regarding the Libraries and the Refunding Plans was supplied by the applicable Library. DASNY believes that this information is reliable, but DASNY and the Underwriter make no representations or warranties whatsoever as to the accuracy or completeness of this information.

The information regarding DTC and DTC's book-entry only system has been furnished by DTC. DASNY believes that this information is reliable, but makes no representations or warranties whatsoever to the accuracy or completeness of this information.

"Appendix A - Definitions," "Appendix C - Summary of Certain Provisions of the Loan Agreements," "Appendix D - Summary of Certain Provisions of the Resolutions" and "Appendix F - Forms of Approving Opinions of Co-Bond Counsel" have been prepared by Hodgson Russ LLP, Albany, New York, and Golden Holley James LLP, New York, New York, Co-Bond Counsel.

"Appendix B1 - Certain Financial and Economic Information on Comsewogue Public Library" contains the audited financial statements of Comsewogue for the year ended June 30, 2015 and the report of Comsewogue's independent auditors on such financial statements.

“Appendix B2 - Certain Financial and Economic Information on Rogers Memorial Library Company” contains the audited financial statements of Rogers for the fiscal year ended December 31, 2014 and the report of Rogers’ independent auditors on such financial statements.

“Appendix B3 - Certain Financial and Economic Information on Smithtown Special Library District” contains the audited financial statements of Smithtown for the year December 31, 2014 and the report of Smithtown’s independent auditors on such financial statements.

The Libraries have reviewed their respective parts of this Official Statement describing the Libraries, the Refunding Plans and the Estimated Sources and Uses of Funds. Comsewogue has reviewed the financial and economic information contained in Appendix B1 hereto, Rogers has reviewed the financial and economic information contained in Appendix B2 hereto and Smithtown has reviewed the financial and economic information contained in Appendix B3 hereto. Each Library shall certify as of the dates of sale and delivery of the Series 2016 Bonds that such respective parts do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

The Libraries have agreed to indemnify DASNY, the Underwriter and certain others against losses, claims, damages and liabilities arising out of any untrue statements or omissions of statements of any material fact as described in the preceding paragraph.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

The execution and delivery of this Official Statement by an Authorized Officer have been duly authorized by DASNY.

DORMITORY AUTHORITY OF
THE STATE OF NEW YORK

By: /s/ Gerrard P. Bushell
Authorized Officer

DEFINITIONS

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DEFINITIONS

In addition to the other terms defined in this Official Statement, when used in this Official Statement, including the summaries of certain provisions of the Resolutions and the Loan Agreements, the following terms have the meanings ascribed to them below. Any capitalized terms not defined herein shall have the definition ascribed to it under the Resolutions and/or the Loan Agreements.

Act means the Dormitory Authority Act being Title 4 of Article 8 of the Public Authorities Law of the State, as amended, including, without limitation, by the Healthcare Financing Consolidation Act, being Title 4-B of the Public Authorities Law of the State, as amended.

Annual Administrative Fee means the fee payable during each Bond Year for the general administrative and supervisory expenses of the Authority in an amount more particularly described in Schedule A attached to the Loan Agreement.

Arbitrage Rebate Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

Authority means the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the rights, powers, duties and functions of the Authority.

Authority Fee means the fee payable to the Authority consisting of all of the Authority's internal costs and overhead expenses attributable to the issuance of the Bonds and any construction of the Project, if any, as more particularly described in Schedule B of the Loan Agreement.

Authorized Newspaper means *The Bond Buyer* or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority.

Authorized Officer means (i) in the case of the Authority, the Chair, the Vice- Chair, the Executive Director and President, the Deputy Executive Director and Vice President, the General Counsel and Assistant Secretary, the Chief Financial Officer and Treasurer, the Managing Director of Public Finance and Portfolio Monitoring, the Managing Director of Construction, the Managing Director, Construction and Metro New York Operations and Assistant Treasurer, the Managing General Counsels and Assistant Secretaries, the Director, Financial Management and Assistant Treasurer, and the Senior Financial Analysts and Assistant Treasurers, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the Institution, the person or persons authorized to perform any act or sign any document by or pursuant to a resolution of the Institution's Board of Trustees or its Executive Committee or the by-laws of the Institution; and (iii) in the case of the Trustee, the President, a Vice President, a Corporate Trust Officer, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

Board of Regents means the Board of Regents of the University of the State of New York.

Bond or *Bonds* means any of the bonds of the Authority authorized and issued pursuant to the Resolution and to a Series Resolution.

Bond Counsel means an attorney or law firm appointed by the Authority with respect to a Series of Bonds, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bond Series Certificate means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds of a Series in accordance with the delegation of power to do so under the Resolution or under a Series Resolution as it may be amended from time to time.

Bond Year means, except as otherwise provided in a Series Resolution authorizing a Series of Bonds or the Bond Series Certificate relating thereto, a period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

Bondholder, Holder of Bonds or *Holder* or any similar term, when used with reference to a Bond or Bonds of a Series, means the registered owner of any Bonds of such Series.

Book Entry Bond means a Bond of a Series authorized to be issued, and issued to and registered in the name of, a Depository for the participants in such Depository or the beneficial owner of such Bond.

Business Day means any day which is not a Saturday, Sunday or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Collection Agreement means the Tax Pledge and Collection Agreements dated as of the date of issuance of the Series 2016 Bonds, or any other agreement, by and among the Institution, the Trustee, the Authority, and the respective town and/or school district for the Institution (i.e. (a) Town of Smithtown for Smithtown Library; (b) Town of Southampton, the Southampton Union Free School District, and the Tuckahoe Common School District for the Rogers Memorial Library; and (c) the Town of Brookhaven and the Brookhaven-Comsewogue Union Free School District for the Comsewogue Library) executed in connection with the issuance of a Series of Bonds, as the same shall have been amended, supplemented or otherwise modified.

Construction Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

Continuing Disclosure Agreement means the agreement, if any, entered into in connection with the issuance of a Series of Bonds, by and among the Authority, the Institution and the Trustee, or such other parties thereto designated at such time, providing for continuing disclosure.

Contract Documents means, as applicable, any general contractor agreement for the construction of the Project, notice to bidders, information for bidders, form of bid, general conditions, supplemental general conditions, general requirements, supplemental general requirements, bonds, plans and specifications, addenda, change orders, and any other documents entered into or prepared by or on behalf of the Institution relating to any construction of the Project, and any amendments to the foregoing.

Cost or *Costs of Issuance* means the items of expense incurred in connection with the authorization, sale and issuance of Bonds of a Series, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, fees and charges for insurance on such Bonds, commitment fees or similar charges relating to a Reserve Fund Facility, costs and expenses of refunding such Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

Cost or *Costs of the Project* means costs and expenses determined by the Authority to be necessary in connection with a Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of a Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of a Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of a Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the Institution shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of a Project, (vii) any sums required to reimburse the Institution or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with a Project (including interest on moneys borrowed from parties other than the Institution), (viii) interest on the Bonds of a Series prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of a Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project or pursuant the Resolution or to the applicable Loan Agreement or Mortgage. In connection with the issuance of Bonds to refund obligations of the Authority issued to make loans to the Institution for Costs of a Project, "Cost of a Project" includes amounts required to effect, and costs and expenses of, such refunding.

Credit Facility means, if applicable with respect to a Series of Bonds, an irrevocable letter of credit, surety bond, loan agreement, or other agreement, facility or insurance or guaranty arrangement pursuant to which the Authority is entitled to obtain money to pay the principal and Sinking Fund Installments of and interest on particular Bonds whether or not the Authority is in default under the Resolution, which is issued or provided by:

(i) a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank or a saving and loan association;

(ii) an insurance company or association chartered or organized under the laws of any state of the United States of America;

(iii) the Government National Mortgage Association or any successor thereto;

(iv) the Federal National Mortgage Association or any successor thereto; or

(v) any other federal agency or instrumentality approved by the Authority.

Debt Service Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

Debt Service Reserve Fund means, if applicable, a reserve fund for the payment of the principal and Sinking Fund Installments of and interest on a Series of Bonds so designated, created and established by the Authority by or pursuant to a Series Resolution.

Debt Service Reserve Fund Requirement means, if applicable, the amount of moneys required to be deposited in the Debt Service Reserve Fund, if any, as determined in accordance with the Series Resolution pursuant to which such Debt Service Reserve Fund has been established.

Defeasance Security means:

(i) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligation;

(ii) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligation; and

(iii) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two Rating Services in the highest rating category for such Exempt Obligation;

provided, however, that for purposes of (i), (ii) and (iii) above, such term shall not include (1) any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof; and

(iv) any other investments acceptable to the Rating Service(s) for defeasance.

Depository means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds or a Bond Series Certificate relating to a Series of Bonds to serve as securities depository for the Bonds of such Series.

Event of Default (i) when used with respect to the Resolution, shall have the meaning given such term in Section 11.02 of the Resolution, and (ii) when used with respect to the Loan Agreement, shall have the meaning given to such term in Section 31(a) of the Loan Agreement.

Exempt Obligation means:

(i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a "specified private activity bond" within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as "+" or "–" and numerical notation, no lower than the second highest rating category for such obligation by at least two Rating Services,

(ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and

(iii) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

Facility Provider means the issuer of a Credit Facility or Reserve Fund Facility.

Federal Agency Obligation means:

(i) an obligation issued by any federal agency or instrumentality approved by the Authority;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority;

(iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(iv) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

Government Obligation means:

(i) a direct obligation of the United States of America;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by the United States of America;

(iii) an obligation to which the full faith and credit of the United States of America are pledged;

(iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(v) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

Governmental Requirements means any present and future laws, rules, orders, ordinances, regulations, statutes, requirements and executive orders applicable to the Project, of the United States, the State and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them, now existing or hereafter created, and having or asserting jurisdiction over the Project or any portion of the Project.

Insurance Consultant means a person or firm which is qualified to survey risks and to recommend insurance coverage for Institution facilities and services and organizations engaged in like operations and which is selected by the Institution.

Institution means, collectively, the (a) Comsewogue Public Library, a school district public library and an education corporation chartered under the Board of Regents of the State of New York, or any successor thereto; (b) Rogers Memorial Library Company, a not-for-profit corporation operating as a free association library chartered by the Board of Regents of the State of New York; and (c) Smithtown Special Library District, a special district library chartered by the Board of Regents of the State, or any successor thereto.

Insurance Consultant means a person or firm which is qualified to survey risks and to recommend insurance coverage for Institution facilities and services and organizations engaged in like operations and which is selected by the Institution.

Intercreditor Agreement means an agreement by and among, *inter alia*, the Authority, the Trustee, and creditors of the Institution relating to Parity Indebtedness, which agreement may pertain to (i) the relative priorities of the liens upon any Mortgage or Pledged Revenues or other shared collateral, (ii) limitations or conditions upon their respective rights to enforce, foreclose or realize upon such liens, and (iii) the application of any money realized from the enforcement, foreclosure or other realization upon such liens.

Investment Agreement means an agreement for the investment of moneys with a Qualified Financial Institution.

Loan Agreement means a Loan Agreement or any other agreement, by and between the Authority and the Institution in connection with the issuance of a Series of Bonds, as the same shall have been amended, supplemented or otherwise modified as permitted by the Resolution and by such Loan Agreement.

Maximum Annual Debt Service means on any date, when used with respect to the Bonds, the greatest amount required in the then current or any future calendar year to pay the sum of the principal and Sinking Fund Installments of and interest on Outstanding Bonds payable during such year.

Mortgage means, if any, a mortgage granted by the Institution to the Authority in form and substance satisfactory to an Authorized Officer of the Authority, on the Mortgaged Property as security for the performance of the Institution's obligations under the Loan Agreement with respect to a Series of Bonds, as such Mortgage may be amended or modified from time to time with the consent of the Authority.

Mortgaged Property means, if any, the land or interest therein described in each Mortgage, if any, together with the buildings and improvements thereon or hereafter erected thereon and the furnishings and equipment owned by the Institution located thereon or therein as may be specifically identified in a Mortgage.

Outstanding, when used in reference to Bonds of a Series, means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under a Series Resolution except:

(i) any Bond canceled by the Trustee at or before such date;

(ii) any Bond deemed to have been paid in accordance with the Resolution; and

(iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution.

Parity Indebtedness shall mean indebtedness secured by a parity lien on Pledged Revenues (excluding the Authority's security interest in the Project Levy) with the prior written consent of the Authority.

Paying Agent means, with respect to a Series of Bonds, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of a Series Resolution, a Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of such Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Permitted Collateral means:

(i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligation:

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligation;

(iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one Rating Service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one Rating Service no lower than in the second highest rating category;

(iv) bankers' acceptances issued by a bank rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least one Rating Service and having maturities of not longer than three hundred sixty five (365) days from the date they are pledged; or

(v) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least $125,000,000 and is rated by Bests Insurance Guide or a Rating Service in the highest rating category.

Permitted Encumbrances means, when used in connection with the Project, any of the following

(i) The lien of taxes and assessments which are not delinquent;

(ii) The lien of taxes and assessments which are delinquent but the validity of which is being contested in good faith unless thereby the property or the interest of the Authority therein may be in danger of being lost or forfeited;

(iii) Minor defects and irregularities in the title to such property which do not in the aggregate materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held;

(iv) Easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held;

(v) Security interests, liens and other encumbrances to secure the purchase price of any equipment or furnishings; and

(vi) Such other encumbrances, defects, and irregularities to which the prior written consent of the Authority has been obtained.

Permitted Investments means:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

(iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;

(v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than $125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, rated by at least one Rating Service in at least the second highest rating category, and (b) fully collateralized by Permitted Collateral;

(vi) commercial paper issued by a domestic corporation rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least one Rating Service and having maturities of not longer than two hundred seventy (270) days from the date of purchase;

(vii) bankers’ acceptances issued by a bank rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least one Rating Service and having maturities of not longer than three hundred sixty five (365) days from the date they are purchased;

(viii) Investment Agreements that are fully collateralized by Permitted Collateral; and

(ix) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a–7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of $1.00 per share and that is rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least one Rating Service.

Pledged Revenues means all Public Funds, all revenues received by the Institution from the operation of the Institution, all the proceeds, product, rents and profits of the Institution's facilities and all other income available to the Institution from any other source, all proceeds from the sale of general intangibles, documents, instruments and inventory and all proceeds thereof owned, leased or used by the Institution in the conduct of all or any part of its business, all investment income, gifts, bequests, contributions, grants and donations, excluding only grants, gifts, bequests, contributions and other donations and any income derived therefrom to the extent specifically restricted by the donor or grantor to a specific object or purpose inconsistent with the support of payments to be made by the Institution under the Loan Agreement, and all supporting evidence and documents relating to any of the above described property, including without limitation, payment records, correspondence, together with all books of account and ledgers in which the same are reflected or maintained, all whether now existing or hereafter arising, along with the right of the Institution to exercise its rights under the Education Law and any and all proceeds resulting from the exercise of that right.

Prior Pledges means the "Prior Pledges" as such term is defined in a Loan Agreement, if applicable.

Project means each "dormitory" as defined in the Act, which may include more than one part, financed in whole or in part from the proceeds of the sale of a Series of Bonds, as more particularly described in a Loan Agreement or a Series Resolution.

Project Levy means, collectively, the Public Funds authorized by referendum of the qualified voters of (a) the Brookhaven-Comsewogue Union Free School District, (b) the Southampton Union Free School District and the Tuckahoe Common School District, and (c) the Smithtown Special Library District approved on such date(s) and in an aggregate annual amount not less than the aggregate Maximum Annual Debt Service on all Series of Bonds issued pursuant to the Resolutions and then Outstanding.

Provider Payments means the amount, certified by a Facility Provider to the Trustee, payable to such Facility Provider on account of amounts advanced by it under a Credit Facility or Reserve Fund Facility, including interest on amounts advanced and fees and charges with respect thereto.

Public Funds means all moneys apportioned, appropriated or otherwise payable to the Institution by the State or a Political Subdivision, as such term is defined in Section 100 of the General Municipal Law including the Project Levy.

Qualified Financial Institution means any of the following entities that has an equity capital of at least $125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least $125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or

(v) a corporation whose obligations, including any investments of any money held under the Resolution purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

Rating Service means Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Rating Services, as the case may be, that have assigned a rating to Outstanding Bonds at the request of the Authority, or their respective successors and assigns.

Record Date means, unless a Series Resolution authorizing a Series of Bonds or a Bond Series Certificate relating thereto provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

Redemption Price when used with respect to a Bond of a Series, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption prior to maturity thereof pursuant to the Resolution or to the applicable Series Resolution or Bond Series Certificate.

Refunded Bonds means, collectively, the Authority's (a) Comsewogue Public Library Insured Revenue Bonds, Series 2005; (b) Rogers Memorial Library Insured Revenue Bonds, Series 1998; and (c) Smithtown Special Library District Revenue Bonds, Series 2008.

Refunding Bonds means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to Section 2.04 of the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution.

Related Agreements means, in connection with the Bonds, each agreement, if any, entered into in connection with a Reserve Fund Facility or Credit Facility to which the Institution is a party.

Reserve Fund Facility means a surety bond, insurance policy, letter of credit or other financial guaranty or instrument authorized by or pursuant to a Series Resolution establishing a Debt Service Reserve Fund to be delivered in lieu of or substitution of all or a portion of the moneys otherwise required to be held in such Debt Service Reserve Fund.

Resolutions means, collectively, the (a) Comsewogue Public Library Revenue Bond Resolution, (b) Rogers Memorial Library Company Revenue Bond Resolution, and (c) Smithtown Special Library District Revenue Bond Resolution, each adopted January 12, 2016, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution.

Restricted Gift means, when used in connection with the Project, any gift, grant or bequest of money or other property made or given by any person the use of which has been restricted by such person to paying any cost or expense that constitutes a Cost of the Project.

Revenues means, with respect to a Series of Bonds, all payments received or receivable by the Authority which pursuant to the applicable Loan Agreement are required to be paid to the Trustee for such Series of Bonds (except payments to the Trustee for the administrative costs and expenses or fees of the Trustee and payments to the Trustee for deposit to the Arbitrage Rebate Fund), and all amounts received as a consequence of the enforcement of such Loan Agreement, including but not limited to amounts derived from the foreclosure or sale of or other realization upon the Pledged Revenues for such Series of Bonds.

Serial Bonds means the Bonds so designated in a Series Resolution or a Bond Series Certificate.

Series means all of the Bonds authenticated and delivered on original issuance and pursuant the Resolution and to the Series Resolution authorizing such Bonds as a separate Series of Bonds, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Series Resolution means a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Resolution.

Series 2016 Bonds means, collectively, the Authority's (a) Comsewogue Public Library Revenue Bonds, Series 2016, (b) Rogers Memorial Library Company Revenue Bonds, Series 2016, and (c) Smithtown Special Library District Revenue Bonds, Series 2016 authorized by the Series 2016 Resolutions.

Series 2016 Resolutions means, collectively, the Authority's (a) Series Resolution Authorizing up to $4,000,000 Comsewogue Public Library Revenue Bonds, Series 2016, (b) Series Resolution Authorizing up to $4,000,000 Rogers Memorial Library Company Revenue Bonds, Series 2016, and (c) Series Resolution Authorizing up to $18,000,000 Smithtown Special Library District Revenue Bonds, Series 2016, each adopted January 12, 2016, as the same may be amended, supplemented or otherwise modified from time to time.

Sinking Fund Installment means, with respect to a Series of Bonds, as of any date of calculation, when used with respect to any Bonds of such Series, so long as any such Bonds are Outstanding, the amount of money required by the Series Resolution pursuant to which such Bonds were issued or by the Bond Series Certificate relating thereto to be paid on a single future July 1 for the retirement of any Outstanding Bonds of said Series which mature after said future July 1, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future July 1 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment.

State means the State of New York.

Sub-Series means the grouping of the Bonds of a Series established pursuant to the applicable Series Resolution or the applicable Bond Series Certificate.

Supplemental Resolution means any resolution of the Authority amending or supplementing the Resolution, any Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms and provisions of the Resolution.

Tax Certificate means the Tax Compliance Agreement of the Authority and the Institution, including the appendices, schedules and exhibits thereto, executed in connection with the issuance of the Bonds in which the Authority and the Institution make representations and agreements as to arbitrage and compliance with the applicable provisions of Sections 141 through 150, inclusive, of the Internal Revenue Code of 1986, or any similar certificate, agreement or other instrument made, executed and delivered in lieu thereof, in each case as the same may be amended or supplemented.

Term Bonds means, with respect to a Series of Bonds, the Bonds so designated in a Series Resolution or a Bond Series Certificate and payable from Sinking Fund Installments.

Trustee means the bank or trust company appointed as Trustee for a Series of Bonds pursuant to a Series Resolution or Bond Series Certificate delivered under the Resolution and having the duties, responsibilities and rights provided for in the Resolution with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution.

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CERTAIN FINANCIAL AND ECONOMIC INFORMATION ON COMSEWOGUE PUBLIC LIBRARY

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CERTAIN FINANCIAL AND ECONOMIC INFORMATION ON COMSEWOGUE PUBLIC LIBRARY

GENERAL INFORMATION

Introduction

Comsewogue Public Library is a school district public library, an education corporation chartered by the Board of Regents of the State of New York located on Long Island in Port Jefferson Station, New York in the Town of Brookhaven, New York (the "Town"). The Library was created in 1966 pursuant to the provisions of the Education Law of the State by majority vote of the electorate of the Brookhaven-Comsewogue Union Free School District (the "School District") and was originally founded as The Port Jefferson Station – Terryville Public Library. In 1969, the Library received its absolute charter from the Board of Regents of the State and changed its name to Comsewogue Public Library. The Library presently serves a local population of approximately 44,600.

Public programs include story hours, summer reading clubs, family events and programs of community interest. The Library also provides photocopying machines, internet access, word processing computers and meeting rooms for community use. The Library also maintains active and growing computer-based research and support services for its professional staff and the public.

The Library provides library services to the greater Port Jefferson Station area and may be accessed by residents of the School District as well as other school districts in the Port Jefferson Station area, two of which have contracted with the Library to provide library services to such districts (the "Associated Districts"). The Library has no independent power of taxation and funding for the Library is (i) primarily derived from real property taxes levied on behalf of the Library by the School District and (ii) secondarily derived from service contract payments made to the Library pursuant to library services agreements with the Associated Districts. Although revenues of the Library are derived from real property taxes levied by the School District and referenda must be approved by the electorate of the School District, the Library and the School District are independent entities, are governed by independent governing boards and have independent financing powers under State Law.

The Library is one of 56 member libraries in the Suffolk Cooperative Library System, an organization staffed by a full-time professional staff. The Suffolk Cooperative Library System provides centralized administrative, planning and support services County-wide, including an advanced data processing network linking all member libraries and enhancing their inter-library loan programs.

The Series 2016 Bonds are not a debt of the State, Suffolk County, New York (the "County"), the Town or the School District nor is the State, the County, the Town or the School District liable thereon.

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Governance and Administration

The Library is governed by an elected Board of Trustees (the "Board") consisting of five (5) members, all of whom were elected by residents of the School District. Any resident of the School District who is 18 years or older is eligible to run for election to the Board. Board members are elected for staggered five-year terms and can be re-elected to an unlimited number of terms. The Board meets twelve times a year or more frequently as required.

The present members of the Board are:

Name	Principal Occupation	Term Expires
Alexandra Gordon President	Aide to County Executive	2016
Richard Meyer Vice President	Retired	2019
Kevin Spence Secretary	Retired	2018
Edward C. Wendol Fiscal Officer	Retired	2017
Corinne DeStefano Trustee	Quality Assurance Architect	2020

Debra L. Engelhardt became the Library's third Library Director in 2012. Ms. Engelhardt is the Library's chief administrative officer, overseeing the Library's daily and financial operations and serving as liaison to the Board of Trustees and to members of the community. Ms. Engelhardt brings nearly two decades of experience to the position having been a public library director in Suffolk County since 1997. Before coming to Comsewogue, she was the director of public libraries in Huntington, Southampton and Bridgehampton.

Deborah Olsen was appointed Senior Administrative Assistant in 2008. Ms. Olsen is responsible for assisting the Library Director in preparation of the Library's Operating Budget, financial statements and government filings, as well as managing the day-to-day financial matters involving payroll, accounts payable, employee benefits, banking and insurance.

The Service Area

The School District, organized in 1930, is situated in the northern section of the Town of Brookhaven in Suffolk County. The School District includes the unincorporated communities of Port Jefferson Station and Terryville and a small portion of the incorporated Village of Port Jefferson. The School District has an area of approximately seven square miles and a population currently estimated at 24,000. The area is primarily residential, with some commercial development. Recent growth in the tax base of the School District has been in shopping centers, office buildings and townhouse-style condominiums and apartment complexes. The School District is served by major arterial roads such as Route 347 and Route 112. The Long Island Expressway is located south of the School District. Rail transportation is available at the Port Jefferson station of the Long Island Rail Road. Police protection is furnished by the Suffolk County Police Department and fire protection by a number of volunteer Fire Districts. Water is furnished by the Suffolk County Water Authority and gas by National Grid and electricity by Public Service Enterprise Group's (PSEG) Long Island subsidiary.

Real Property Taxes

The School District derives its power to levy an ad valorem real property tax on behalf of the Library from the State Constitution and from State Education Law. Methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law and the Suffolk County Tax Act. Real property assessment rolls used by the School District for the Library tax are prepared by the Town. Assessment valuations are determined by the Town assessor and the State Board of Equalization and Assessment which is responsible for certain utility and railroad property. In addition, the State Board of Equalization and Assessment annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aid and are used by many localities in the calculation of debt contracting and real property taxing limitations. The School District is not subject to constitutional real property taxing limitations.

Property Tax Cap Law

Chapter 414 of the Laws of 1995 governs the methodology by which a school district library can cause the levy of a tax, or an increase thereof, on its behalf by a municipality or school district. However, on June 24, 2011, the Property Tax Cap Law, as written in Chapter 97 of the State Laws of 2011, was signed into law. The Property Tax Cap Law establishes a limit on the annual growth of property taxes levied by local governments. It does not specifically mention libraries; however, guidance issued by the office of the State Comptroller and jointly by the State Department of Taxation and Finance and the State Department of State indicates that it is intended to cover libraries. It applies for any fiscal year commencing after January 1, 2012. The power of local governments to levy real property taxes on all taxable real property within their boundaries without limitation as to rate or amount is subject to statutory limitations pursuant to formulae set forth in the Property Tax Cap Law. The Property Tax Cap Law restricts the increase in the amount of the succeeding year's tax levy to no more than the lesser of 2% of the prior year's tax levy or an inflation rate as computed under the Property Tax Cap Law, with limited exceptions.

The Property Tax Cap Law does not explicitly address how school district libraries affiliated with a municipality or school district which levies property tax on their behalf (such as the Library) will be treated, i.e., as a part of a school district or local government or as its own local government. However, the guidance noted above indicates that the tax levy of a special district that has a separate independent elected board and has the authority to levy a tax or can require a municipality or school district to levy a tax on its behalf is subject to the tax levy limit. Further, to the extent that the budget of a special district, such as a library district, is comprised of revenues generated by its own taxing authority or a tax levy of another government that the local government or school district is required to impose on behalf of the special district, those tax revenues are believed to fall within the tax levy limit of the special district.

This interpretation means that school district libraries, like the Library, have their own, separate tax cap, and that the mechanism to exceed the tax cap is the same as for local government. To exceed the tax cap, the Property Tax Cap Law requires a library board to pass a vote by a 60% margin of trustees, then bring the proposal to a public vote. If the public approves the proposal by a simple majority (more than 50%), only then may the tax cap be exceeded.

The Library's budgets for the fiscal year beginning July 1, 2014 and July 1, 2015 did not exceed the 2% tax cap limit. The qualified voters in the School District approved said budgets by an approval rate of 75.4 % and 84.5 %, respectively.

Tax Collection Procedure

Property taxes for the Library, together with School District, Town, and County taxes, are collected by the Town tax receiver and paid directly to the Library by the Town as collected between January 1st and June 30th. Such taxes are due and payable in equal installments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the date such taxes are due and 10% after May 31.

The Library receives its full levy before the end of its fiscal year. Uncollected amounts are not segregated by the Town tax receiver, and any deficiency in tax collection is the County's liability and is not passed on to the Library.

Library Budget

The Library's fiscal year begins on July 1 and ends on June 30. During the winter and early spring, the proposed operating budget is developed by the Library Director with support from administrative staff and input from staff managers across the operation. The Board reviews this, and may further develop the financial plan before it approves a proposed budget. The proposed budget is submitted to the voters of the School District in April of each year.

Residents of the School District who are qualified to vote may participate in the referendum on the proposed operating budget. If, by majority, the budget is approved by the electorate, the Board, by resolution, adopts the budget of the ensuing fiscal year. In the event of a defeat by the electorate of the budget in any year, the Library's appropriation reverts to the previous year's approved budget and tax levy. In such an event, expenses beyond ordinary contingent expenses may later be added to the budget upon subsequent voter approval.

The 2014-2015 proposed operating budget was approved by School District voters on April 8, 2014 and the 2015-2016 budget was approved by School District voters on April 14, 2015. Sufficient tax levy revenues are annually made available upon approval of the budget to enable the Library to meet its obligations to DASNY, and, together with service contract payments and other revenues, to cover the costs of operations of the Library. The budgets for the 2014-2015 and 2015-2016 fiscal years ending June 30 are included below:

Budget Summaries

	Fiscal Years Ending June 30	
	2015	**2016**
Revenues:		
Tax Revenues	$2,625,651	$2,704,551
Revenue, Contracts, Misc.	2,498,836	2,476,868
Revenue Appropriated from GF	324,629	377,258
Debt Service Fund Balance	25,000	25,000
Total Revenues	$5,474,116	$5,583,677
Expenditures:		
Salaries & Employee Benefits	$3,839,384	$3,962,121
Materials	597,000	587,000
Operations	626,732	629,131
Other	11,000	11,845
Debt Service	400,000	393,580
Total Expenditures	$5,474,116	$5,583,677

Insurance

The Library maintains a comprehensive package of institutional insurance coverage. The policy coverage (both limits and scope) is evaluated annually (and more frequently, should circumstances warrant) to assure appropriate coverage is maintained based on replacement values of existing physical library structures and an analysis of potential liabilities.

Employees

The Library currently employs 19 full-time and 55 part-time individuals, all under the supervision of the Library's Director, of whom 9 are professionals with Masters Degrees in Library Science. The remaining staff consists of clerical staff and a network administrator. The Library has a history of good relations with its employees and does not have collective bargaining contracts.

Employee Pension System

Certain Library employees are eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York and are members of the New York State Local Employee's Retirement System ("ERS"). The ERS is noncontributory with respect to members hired prior to July 1, 1976. All members of the respective systems who were hired on or after July 1, 1976 and before December 31, 2009, with less than 10 years' full-time service, contribute 3% of their gross annual salaries toward the cost of the retirement programs.

On December 10, 2009, then Governor Paterson signed into law a new Tier 5. The law is effective for new ERS employees hired after January 1, 2010. New ERS employees now contribute 3% of their salaries. There is no provision for these contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law the new Tier 6 pension program, effective for new ERS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees vest in the system after ten years of employment and are required to make employee contributions throughout employment.

The Library's required contribution for a given fiscal year is based on the value of the pension fund on the prior April 1. The Library is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible, each year on February 1st.

To help reduce budgetary volatility due to changes in employee contributions, State law permits the Library to amortize a portion of such contributions. The Library has not elected, to date, to amortize such contributions, nor does it expect to do so in the foreseeable future.

The following chart represents the ERS contributions for each of the last five fiscal years.

Fiscal Year Ending June 30	ERS Contribution
2012	$322,360
2013	399,048
2014	410,910
2015	481,673
2016	335,376

The Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68") revises and establishes new financial reporting requirements for the Library beginning with its fiscal year ended June 30, 2015.

GASB 68 requires the Library to recognize its long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. As of June 30, 2014, the Library's net pension liability was $408,806. For the fiscal year ending June 30, 2015, the Library's net pension liability was $305,618.

Other Post Employment Benefits

The Library provides post-employment healthcare benefits to various categories of former employees. GASB Statement No. 45 ("GASB 45") requires the Library to account for and report its costs associated with post-employment healthcare benefits and other non-pension benefits ("OPEB"). The Library's financial statements are prepared and audited using GASB rather than Financial Accounting Standards Board guidelines of generally accepted accounting principles. GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions.

GASB 45 requires that the Library adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers are based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") is determined for the Library. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If the Library contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the Library account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation is required every three years for the Library.

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability ("AAL"), the portion of the actuarial present value of the total future benefits based on the employees' service rendered to the measurement date, was approximately $4.6 million. The actuarial value of the Plan's assets was $0, resulting in an unfunded actuarial accrued liability ("UAAL") of $4.6 million. For the fiscal year ending June 30, 2015, the Library's annual OPEB cost was $378,976 and the ARC was $385,190. The Library is on a pay-as-you-go funding basis and paid $197,069 for the fiscal year ending June 30, 2015 resulting in a projected year-end Net OPEB obligation of $1,134,009.

Should the Library be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Library's finances and could force the Library to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the Library to partially fund its actuarial accrued OPEB liability. The Library continues funding the expenditure on a pay-as-you-go basis.

ANNUAL FINANCIAL STATEMENT INFORMATION

The Library's financial statements for the fiscal years ending June 30, 2015 and June 30, 2014, audited by Cullen & Danowski LLP, Certified Public Accountants, are included at the end of this Appendix B1. Financial information of the type that follows is expected to be provided by the Library annually via the filing of the Library's annual financial statements in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Revenues and Expenditures

The Library receives most of its revenue from a real property tax levied by the School District on all non-exempt real property situated within the School District.

The revenues and expenses of the Library are determined by the annual operating budget proposed by the Board and voted upon by the residents of the School District annually. The fiscal management of the Library is governed according to each annual operating budget. The Board is responsible for oversight of the Library's management control and disbursement of funds and maintenance of assets. The Library's management is responsible for day-to-day operations. The Library's budget is created on good faith estimates of revenues and expenses, which estimates may be inaccurate.

In addition to the annual operating budget vote, the residents of the School District can authorize the Library to cause a tax to be levied annually to cover maximum annual debt service on a capital project of the Library up to a set maximum annual amount.

Below is a summary of the Library's unrestricted revenues and expenses for last five fiscal years.

Summary of General Fund Revenues and Expenditures

	Jun 30, 2011	Jun 30, 2012	Jun 30, 2013	Jun 30, 2014	Jun 30, 2015
Revenues:					
Tax revenues	$2,501,210	$2,501,029	$2,523,653	$2,574,169	$2,625,778
Library charges, fines & fees	2,633,329	2,628,662	2,696,679	2,613,353	2,710,713
Use of Money and Property	17,890	16,333	11,396	9,816	8,388
New York State Aid	5,713	5,406	8,087	10,987	4,500
Miscellaneous income	25,721	27,751	32,865	32,154	29,561
Total Revenues	$5,183,863	$5,179,181	$5,272,680	$5,240,479	$5,378,940
Expenses:					
Salaries	$2,318,976	$2,504,873	$2,375,130	$2,637,447	$2,360,719
Employee benefits	952,531	1,059,148	1,149,986	1,247,184	1,248,967
Contractual/Expenditures	1,267,117	1,196,264	1,196,806	1,257,490	1,172,828
Equipment and Outlay	53,033	43,716	36,619	106,264	117,058
Debt Service	391,356	392,107	388,306	389,417	394,921
Total Expenses	$4,983,013	$5,196,108	$5,146,847	$5,637,802	$5,294,493
Excess (deficiency) of revenues over expenses	$ 200,850	$ (16,927)	$ 125,833	$ (397,323)	$ 84,447

Fund Balances

The table below presents the accumulated liquid funds held in the General Fund for each of the fiscal years ending June 30, 2011 through June 30, 2015. The table was prepared from the Library's accounting records, which are maintained on the basis of accounting practices as prescribed by the Uniform System of Accounts for Library Systems mandated by the State of New York.

In accordance with these principles, the Library only maintains a General Fund. In addition, the Library maintains a General Fixed Asset Group of Accounts which are used to record fixed assets not recorded in the asset and liability account of other funds.

Statement of Financial Position

	Jun 30, 2011	Jun 30, 2012	Jun 30, 2013	Jun 30, 2014	Jun 30, 2015
Assets:					
Cash & Equivalents	$4,871,563	$5,045,726	$5,006,513	$4,869,072	$4,708,166
Accounts Receivable	3,520	3,491	2,409	4,108	1,075
Prepaids	-	-	-	-	5,120
Total Assets	$4,875,083	$5,049,217	$5,008,922	$4,873,180	$4,714,361
Liabilities:					
Accounts Payable	$61,327	$62,366	$48,111	$14,293	$74,660
Accrued Liabilities	91,204	111,810	107,225	384,934	117,875
Comp. Absences Payable	-	150,216	-	-	-
Retirement Payable	80,600	99,800	102,728	120,418	83,844
Total Liabilities	$ 233,131	$ 424,192	$ 258,064	$ 519,645	$ 276,379
Fund Balances:					
Unassigned	$2,863,764	$3,189,903	$3,334,862	$3,303,123	$3,620,708
Restricted: Debt Srvc.	98,139	99,602	101,012	74,075	49,075
Assigned	1,680,049	1,335,520	1,314,984	976,337	763,079
Nonspendable: Prepaids	-	-	-	-	5,120
Total Fund Balance	$4,641,952	$4,625,025	$4,750,858	$4,353,535	$4,437,982
Total Liabilities and Fund Balance	$4,875,083	$5,049,217	$5,008,922	$4,873,180	$4,714,361

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OPERATING DATA

Funding for the operations of the Library is primarily derived from real property taxes levied by the School District on behalf of the Library on all non-exempt real property located within the School District. The following information summarizes the tax base upon which the Library is dependent for funding.

Valuations, Tax Rates and Levies

A summary of valuations and tax rates for the past five years for the Library District is provided below:

Summary of Valuations

Tax Year Ending Dec. 31	Assessed Value of Taxable Real Property	State Equalization Rate	Full Valuation
2012	$21,844,949	0.91%	$2,400,543,846
2013	21,810,136	0.91	2,396,718,242
2014	21,803,887	0.95	2,295,146,000
2015	21,750,968	0.95	2,289,575,579
2016	21,650,238	0.95	2,278,972,421

Tax Rates Per $1,000 of Assessed Valuation

Year	Library Tax
2012	114.49
2013	115.71
2014	118.06
2015	120.72
2016	124.93

Source: Tax Rate Sheets from the Town of Brookhaven.

Property Tax Revenue

Fiscal Year Ended	Total Revenues	Real Property Taxes	Real Property Taxes as a Percentage of Total Revenues
June 30, 2011	$5,183,863	$2,501,210	48.2%
June 30, 2012	5,179,181	2,501,029	48.3
June 30, 2013	5,272,680	2,523,653	47.9
June 30, 2014	5,240,479	2,574,169	49.1
June 30, 2015	5,378,940	2,625,778	48.8
June 30, 2016 (budget)	5,583,677	2,704,551	48.4

Sources: Audited Financial Statements and the adopted budget of Comsewogue Public Library.

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Selected Listing of Largest Taxable Properties

The following is a listing of the ten largest taxable properties in the School District for 2014-2015:

Largest Taxable Properties

Name	Type	Assessed Value
Long Island Power Authority	Utility	$ 368,163
Heatherwood House - Pt. Jefferson LLC	Apartments	277,040
Port Plaza (E&A) LLC	Shopping Center	271,833
460 Old Town Rd. Owners Corp	CoOp Apartments	250,000
Port Jefferson Town Properties LLC	Commercial	232,800
Lawrence Aviation Ind.	Industrial	155,250
Centro Heritage SPE 4 LLC	Commercial	145,640
WB Woodcrest Associates	CoOp Apartments	132,100
North Shore Professional Realty LP	Commercial	119,300
SPA 77 KLP	Shopping Center	113,690
		$2,065,816

Source: Town of Brookhaven Department of Assessment

The total assessed value of the largest taxable properties listed above represents 9.50% of the Assessed Valuation for the School District.

Economic and Demographic Information

The following table sets forth population statistics for the School District, Town, County and the State of New York.

Population Trends

Year	School District	Town of Brookhaven	Suffolk County	New York State
1980	N/A	364,812	1,284,231	17,558,072
1990	N/A	407,779	1,321,864	17,990,455
2000	21,674	448,248	1,419,369	18,976,457
2010	23,752	480,105	1,482,548	19,229,752

Source: U.S. Census Bureau

Selected Wealth and Income Indicators

Per Capita Income

	2000	2010	% Change
Town of Brookhaven	$24,191	$33,324	37.75%
Suffolk County	26,577	35,755	34.53
New York State	23,389	30,948	32.31

Source: U.S. Department of Commerce, Bureau of the Census

Family Median Income – For the Year 2010
Income Groups - % of Families

	Median Income	Under $25,000	$25,000-49,999	$50,000-74,999	$75,000-99,999	$100,000 or more
Town of Brookhaven	$81,937	12.4%	15.2%	17.5%	15.9%	39.0%
Suffolk County	84.506	11.7	15.3	16.8	15.2	41.0
New York State	55,603	23.4	22.0	17.4	12.2	25.1

Source: U.S. Department of Commerce, Bureau of the Census

Unemployment Rate Statistics

Unemployment statistics are not available for the School District as such. The smallest area for which such statistics are available (which includes the School District) is the Town.

Year	Town of Brookhaven	Suffolk County	New York State
2011	7.3%	7.3%	8.0%
2012	7.7	7.8	8.6
2013	6.5	6.5	7.7
2014	5.3	5.3	6.4
2015*	5.0	4.8	5.4

Source: Department of Labor, State of New York.

LITIGATION

There are no suits pending or, to the knowledge of the officers of the Library and members of the Board, threatened against the Library wherein an unfavorable result would have a material adverse effect on the financial condition of the Library or impair the levy and collection of ad valorem taxes.

* 10 Months

Comsewogue Public Library

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT

June 30, 2015

COMSEWOGUE PUBLIC LIBRARY
TABLE OF CONTENTS

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Comsewogue Public Library
Port Jefferson Station, New York

We have audited the accompanying financial statements of the governmental activities and the general fund of the Comsewogue Public Library (Library), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Library'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 Library'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.

1650 ROUTE 112, PORT JEFFERSON STATION, NEW YORK 11776-3060
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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 general fund of the Comsewogue Public Library, as of June 30, 2015, 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.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, "Changes in Accounting Principles", the Library has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68,* as of June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress - other postemployment benefits, the Library's proportionate share of the net pension liability, and Library contributions on pages 3 through 12 and 37 through 42, 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, 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 n 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.

Cullen & Danowski, LLP

October 6, 2015

The Comsewogue Public Library's discussion and analysis of the financial performance provides an overall review of the Library's financial activities for the fiscal year ended June 30, 2015 in comparison with the year ended June 30, 2014, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2015 are as follows:

- The Library's total net position, as reflected in the government-wide financial statements, increased by $139,684. This was due to revenues in excess of expenses based on the accrual basis of accounting.

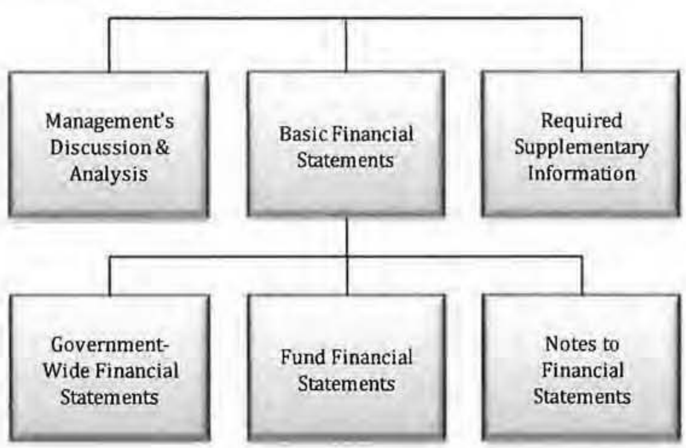
- The Library's total net position at June 30, 2014 was restated and decreased by $288,388 as a result of the required implementation of the new GASB 68 and 71 accounting standards during the 2015 fiscal year. These new GASB accounting standards have no impact on the governmental funds (general fund) financial statements.

- The general fund's total fund balance, as reflected in the fund financial statements, increased by $84,447. This was due to revenues in excess of expenditures based on the modified accrual basis of accounting.

- The Library's 2014-15 property tax levy of $2,625,651 was a 2% increase over the 2013-14 tax levy. The Library's property tax cap was 3.5%.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (MD&A), the basic financial statements and required supplementary information. The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



A. Government-Wide Financial Statements

The government-wide financial statements present the governmental activities of the Library and are organized to provide an understanding of the fiscal performance of the Library as a whole in a manner similar to a private sector business. There are two government-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the Library's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the Library's assets and deferred outflows of resources and liabilities, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the Library's funds, not the Library as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the Library are reported in the governmental funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the Library incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the Library's operations and the services it provides.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, you may better understand the long-term impact of the Library's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains one individual governmental fund, the general fund.

3. FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

A. Net Position

The Library's total net position increased by $139,684 between fiscal year 2015 and 2014. A summary of the Library's Statements of Net Position follows. The June 30, 2014 net position has been decreased by $288,388 resulting from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. Additionally, the June 30, 2014 balances reflect deferred outflows of resources and net pension liabilities in accordance with the new GASB statements.

	2015	As Restated 2014	Increase (Decrease)	Percentage Change
Current and Other Assets	$ 4,714,361	$ 4,873,180	$ (158,819)	(3.3)%
Capital Assets, Net	5,461,826	5,630,354	(168,528)	(3.0)%
Total Assets	10,176,187	10,503,534	(327,347)	(3.1)%
Deferred Outflows of Resources	177,935	120,418	57,517	47.8 %
Current and Other Liabilities	276,379	519,645	(243,266)	(46.8)%
Long-Term Liabilities	3,008,639	3,253,606	(244,967)	(7.5)%
Net Other Postemployment Benefits Obligation	1,134,009	952,102	181,907	19.1 %
Net Pension Liability - Proportionate Share	305,618	408,806	(103,188)	(25.2)%
Total Liabilities	4,724,645	5,134,159	(409,514)	(8.0)%
Net Position				
Net investment in Capital Assets	2,623,910	2,532,021	91,889	3.6 %
Restricted	49,075	74,075	(25,000)	(33.7)%
Unrestricted	2,956,492	2,883,697	72,795	2.5 %
Total Net Position	$ 5,629,477	$ 5,489,793	$ 139,684	2.5 %

Current and other assets decreased by $158,819 from the prior year due to less cash at June 30, 2015.

Capital assets, net of accumulated depreciation decreased by $168,528 due to depreciation expense in excess of capital additions for the fiscal year. The accompanying Notes to Financial Statements, Note 6 "Capital Assets" provides additional information.

Deferred outflows of resources represents contributions to the employees' retirement system (ERS) subsequent to the measurement date and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by $243,266 due to a reduction in accrued liabilities from the prior year related to payments due to retirees and capital improvements recorded at June 30, 2014.

Long-term liabilities decreased from the prior year by $244,967. This decrease is primarily due to scheduled debt service payments.

The net other postemployment benefits (OPEB) obligation increased by $181,907 as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 10 "Postemployment Benefits" provides additional information.

Net pension liability - proportionate share decreased by $103,188 in the current year. This liability represents the Library's share of the ERS' collective net pension liability at March 31, 2015, the measurement date.

The net investment in capital assets relates to the investment in capital assets at cost consisting of land, buildings and improvements, furniture and equipment, and books and materials, net of depreciation and related debt. This number increased over the prior year by $91,889, as capital asset additions ($390,042) and the current year pay down of the related debt ($260,417) exceeded depreciation expense ($558,570).

The restricted net position amount of $49,075 relates to the Library's resources restricted for debt service.

The unrestricted net position amount of $2,956,492 relates to the balance of the Library's net position. This number increased over the prior year by $72,795, which reflects a $160,705 expense reduction from the Library's proportionate share of the collective expense of the ERS.

At June 30, 2015, the Library's total net position is $5,629,477.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. A summary of this statement for the years ended June 30, 2015 and 2014 is as follows:

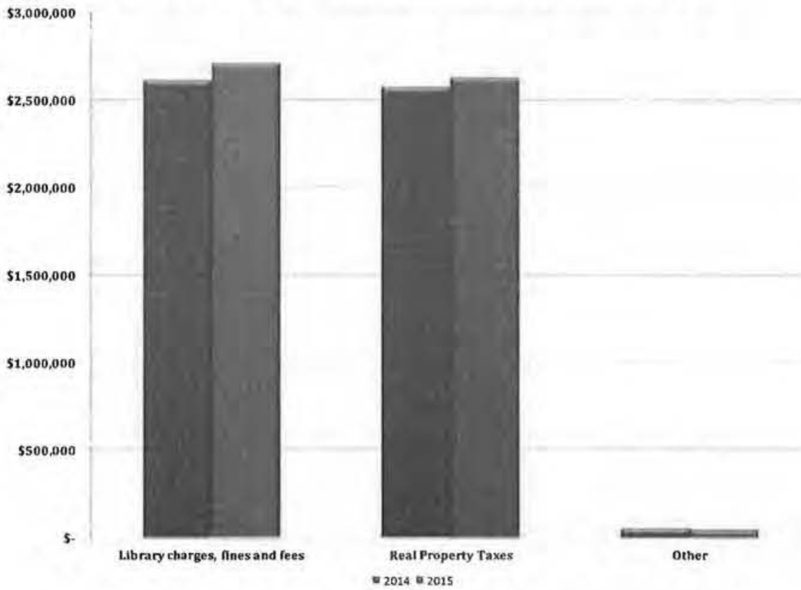
	2015	2014	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Library charges, fines and fees	$ 2,710,713	$ 2,613,353	$ 97,360	3.7 %
General Revenues				
Real property taxes	2,625,778	2,574,169	51,609	2.0 %
Other revenues	42,449	52,957	(10,508)	(19.8)%
Total Revenues	5,378,940	5,240,479	138,461	2.6 %
Expenses				
Salaries	2,360,719	2,637,447	(276,728)	(10.5)%
Contractual and other expenses	899,844	965,973	(66,129)	(6.8)%
Employee benefits	1,285,619	1,384,536	(98,917)	(7.1)%
Debt service - interest	134,504	143,167	(8,663)	(6.1)%
Depreciation	558,570	554,456	4,114	0.7 %
Total Expenses	5,239,256	5,685,579	(446,323)	(7.9)%
Increase / (Decrease) in Net Position	$ 139,684	$ (445,100)	$ 584,784	(131.4)%

The Library's net position increased by $139,684 for the year ended June 30, 2015 and decreased by $445,100, for the year ended June 30, 2014. The 2014 employee benefits expense balance in the summary of changes in net position was not restated for the effects of GASB Statements No. 68 and 71, as information from the retirement system was not available.

Program revenues increased by $91,361 or 3.5% over the prior year. This was due to an increase in charges for services to the school districts. The main change in general revenues was an increase in real property taxes of $51,609 or 2.0%. Total expenses decreased by $446,323. The major factor for this decrease was due to the significant separation payments in the prior year, plus a reduction of staff (i.e., 1 professional and 3 clerical full-time employees) during the year.

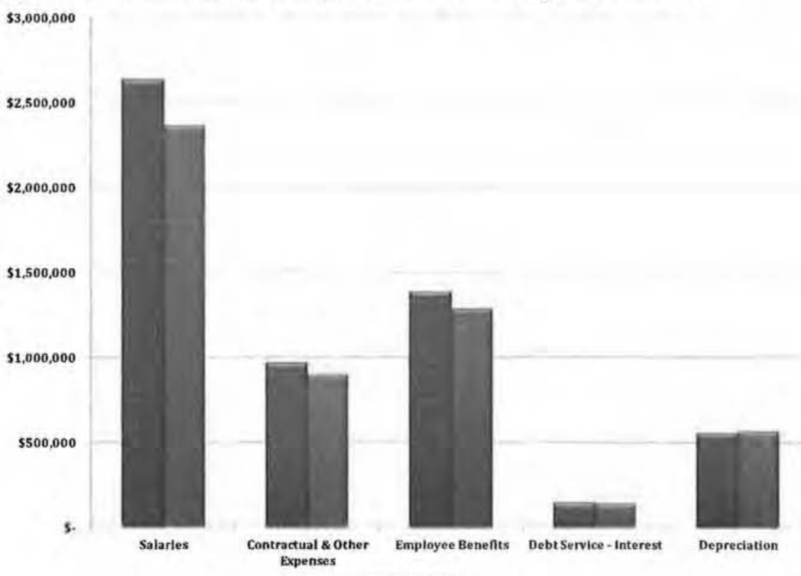
As indicated on the graphs that follow, library charges, fines and fees and real property taxes effectively make up all of the Library's revenues. Salaries is the largest category of expenses incurred (i.e., 45.1% and 46.4% of the total for the years 2015 and 2014, respectively). The charts demonstrate that the components of revenues and expenses are relatively consistent for both years.

A graphic display of the distribution of revenues for the two years follows:



	Library charges, fines and fees	Real Property Taxes	Other
2014	49.9%	49.1%	1.0%
2015	50.4%	48.8%	0.8%

A graphic display of the distribution of expenses for the two years follows:



	Salaries	Contractual & Other Expenses	Employee Benefits	Debt Service - Interest	Depreciation
2014	46.4%	16.9%	24.4%	2.5%	9.8%
2015	45.1%	17.1%	24.5%	2.6%	10.7%

4. FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

At June 30, 2015, the Library's governmental fund reported a fund balance of $4,437,982, which is an increase of $84,447 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2015	2014	Increase (Decrease)
General Fund			
Nonspendable: Prepaids	$ 5,120	$	$ 5,120
Restricted: Debt service	49,075	74,075	(25,000)
Assigned:			
Appropriated for next year's budget	377,258	324,629	52,629
Designated for capital improvements	124,992	260,044	(135,052)
Designated for termination payments	254,312	253,944	368
Unappropriated	6,517	137,720	(131,203)
Unassigned	3,620,708	3,303,123	317,585
Total Fund Balance	$ 4,437,982	$ 4,353,535	$ 84,447

Total fund balance in the general fund increased by $84,447 during fiscal 2015 compared to a decrease of $397,323 in fiscal 2014. Revenues increased $138,461 for reasons previously noted. Expenditures decreased $343,309 primarily due to prior year separation payouts and staff reductions as previously noted, which reduced salaries by $276,728, and reductions in general operating costs of $84,662. As indicated in the table above, the designations for capital improvements decreased from the prior year due to supplemental appropriations. Assigned unappropriated decreased due to the Library having less open encumbrances at June 30, 2015 than in the prior year.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2014-15 Budget

The Library's general fund adopted budget, as approved by the voters, for the year ended June 30, 2015 was $5,474,116. This amount was increased by encumbrances carried forward from the prior year in the amount of $137,720 and budget revisions totaling $133,724 for a total final budget of $5,745,560.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The largest components of this funding source were $2,625,651 in estimated property taxes and $2,486,836 in estimated library charges, fines and fees.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of restricted amounts and assignments, such as, appropriations to fund the subsequent year's budget, designations and encumbrances and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	$ 3,303,123
Revenues Over Budget	254,453
Expenditures and Encumbrances Under Budget	444,550
Interest Allocated to Restricted and Assigned Fund Balance	(4,160)
Appropriated to Fund the June 30, 2016 Budget	(377,258)
Closing, Unassigned Fund Balance	$ 3,620,708

Opening, Unassigned Fund Balance

The $3,303,123 shown in the table is the portion of the Library's June 30, 2014 fund balance that was retained as unassigned.

Revenues Over Budget

The 2014-15 budget for revenues was $5,124,487. Actual revenues received for the year were $5,378,940. Actual revenues were more than estimated or budgeted revenues by $254,453. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2014 to June 30, 2015.

Expenditures and Encumbrances Under Budget

The 2014-15 final budget for expenditures, including prior year open encumbrances as of June 30, 2014 of $137,720 and supplemental appropriations from assigned fund balance totaling $133,724, was $5,745,560. Actual expenditures were $5,294,493 and outstanding encumbrances were $6,517. Combined, the expenditures plus encumbrances for 2014-15 were $5,301,010. The final budget was under expended by $444,550. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2014 to June 30, 2015.

Interest Allocated

The Library allocated interest earned to the restricted and assigned designated fund balance, thereby reducing unassigned fund balance.

Appropriated Fund Balance

The Library has chosen to use $377,258 of its available June 30, 2015 unassigned fund balance to partially fund its 2015-16 approved operating budget. As such, the June 30, 2015 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the Library will begin the 2015-16 fiscal year with an unassigned fund balance of $3,620,708. This is an increase of $317,585 over the unassigned fund balance from the prior year.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2015, the Library's net capital assets totaled $5,461,826, which is a decrease of $168,528 from June 30, 2014. The decrease is due to depreciation expense of $558,570 in excess of capital assets additions of $390,042. A summary of the Library's capital assets, net of depreciation at June 30, 2015 and June 30, 2014 is as follows:

	2015	2014	Increase (Decrease)
Land	$ 230,613	$ 230,613	$ -
Buildings and improvements	4,202,496	4,367,300	(164,804)
Books and materials	850,874	870,337	(19,463)
Furniture and equipment	177,843	162,104	15,739
Capital assets, net	$ 5,461,826	$ 5,630,354	$ (168,528)

B. Debt Administration

The Library's outstanding debt is described in the Notes to Financial Statements. Note 7 "Long-Term Liabilities." The Library made its scheduled debt service payments to DASNY during the fiscal year. There are no plans to issue any new long-term debt.

The Library's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa3. The Library's outstanding insured revenue bonds are obligations of the Dormitory Authority of the State of New York and the principal balance is $2,837,916 at June 30, 2015.

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on April 14, 2015, for the year ending June 30, 2016, is $5,583,677. This is an increase of $109,561 or 2.00% over the previous year's original budget of $5,474,116.

The Library estimated revenues other than property taxes at a $21,968 decrease from the prior year estimate. As with the 2015 budget, the Library appropriated $25,000 of the restricted for debt service fund balance to support debt service payments in the fiscal year ending June 30, 2016. Additionally, the assigned, appropriated fund balance applied to the June 30, 2016 budget in the amount of $377,258 is a $52,629 increase from the previous year. A property tax levy increase of $78,900 or 3.00% was enacted to cover the increase in projected expenditures.

B. Future Budgets

Significant increases in health costs and the property tax cap will impact the Library's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of local governments to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. Public libraries are authorized to exceed the tax levy limit only if the governing body enacts, by a 60% vote, to override the tax levy limit, and the budget is approved by more than 50% of the voters. Based on the law, the Library's tax levy cap for 2015-16 is 3.75%. The Library's 3.00% increase in the 2015-16 levy is less than the tax cap and did not require an override vote.

8. CONTACTING THE LIBRARY

This financial report is designed to provide the reader with a general overview of the Library's finances and to demonstrate the Library's accountability for the funds it receives. Requests for additional information can be directed to:

Ms. Debra Engelhardt
Library Director
Comsewogue Public Library
170 Terryville Road
Port Jefferson Station, New York 11776

COMSEWOGUE PUBLIC LIBRARY
Statement of Net Position
June 30, 2015

ASSETS	
Cash	
Unrestricted	$ 4,659,091
Restricted	49,075
Accounts receivable	1,075
Prepaids	5,120
Capital assets	
Not being depreciated	230,613
Being depreciated, net of accumulated depreciation	5,231,213
Total Assets	10,176,187
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	177,935
LIABILITIES	
Payables	
Accounts payable	74,660
Accrued liabilities	117,875
Due to employees' retirement system	83,844
Long-term liabilities	
Due and payable within one year	
Bonds payable	266,250
Compensated absences payable	35,000
Due and payable after one year	
Bonds payable	2,571,666
Compensated absences payable	135,723
Net other postemployment benefits payable	1,134,009
Net pension liability - proportionate share	305,618
Total Liabilities	4,724,645
NET POSITION	
Net investment in capital assets	2,623,910
Restricted: Debt Service	49,075
Unrestricted	2,956,492
Total Net Position	$ 5,629,477

COMSEWOGUE PUBLIC LIBRARY
Statement of Activities
For The Year Ended June 30, 2015

EXPENSES	
Library services	
Salaries	$ 2,360,719
Contractual and other expenses	899,844
Employee benefits	1,285,619
Debt service - interest	134,504
Depreciation	558,570
Total Expenses	5,239,256
PROGRAM REVENUES	
Library charges, fines and fees	2,710,713
GENERAL REVENUES	
Real property taxes	2,625,778
Other revenues	42,449
Total General Revenues	2,668,227
Total Revenues	5,378,940
Change in Net Position	139,684
Total Net Position - Beginning of year, as restated	5,489,793
Total Net Position - End of year	$ 5,629,477

COMSEWOGUE PUBLIC LIBRARY
Balance Sheet - Governmental Funds
June 30, 2015

	General
ASSETS	
Cash	
Unrestricted	$ 4,659,091
Restricted	49,075
Accounts receivable	1,075
Prepaids	5,120
Total Assets	$ 4,714,361
LIABILITIES	
Payables	
Accounts payable	$ 74,660
Accrued liabilities	117,875
Due to employees' retirement system	83,844
Total Liabilities	276,379
FUND BALANCE	
Nonspendable: Prepaids	5,120
Restricted: Debt service	49,075
Assigned	
Appropriated	377,258
Designated for capital improvements	124,992
Designated for termination payments	254,312
Unappropriated	6,517
Unassigned: Fund balance	3,620,708
Total Fund Balance	4,437,982
Total Liabilities and Fund Balance	$ 4,714,361

COMSEWOGUE PUBLIC LIBRARY
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total Governmental Fund Balance		$ 4,437,982
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Library as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$ 12,408,865	
Accumulated depreciation	(6,947,039)	
		5,461,826
Proportionate share of long-term liability, and deferred outflows of resources associated with participation in the state retirement system are not current financial resources or obligations and are not reported in the funds.		
Deferred outflows of resources	177,935	
Net pension liability - employees' retirement system	(305,618)	
		(127,683)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds payable	(2,837,916)	
Compensated absences payable	(170,723)	
Net other postemployment benefits payable	(1,134,009)	
		(4,142,648)
Total Net Position		$ 5,629,477

COMSEWOGUE PUBLIC LIBRARY
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2015

	General
REVENUES	
Real property taxes	$ 2,625,778
Library charges, fines & fees	2,710,713
Use of money and property	8,388
Miscellaneous	29,561
State sources	4,500
Total Revenues	5,378,940
EXPENDITURES	
Salaries	2,360,719
Equipment and capital outlay	117,058
Contractual and other expenditures	1,172,828
Employee benefits	1,248,967
Debt service	
Principal	260,417
Interest	134,504
Total Expenditures	5,294,493
Net Change in Fund Balance	84,447
Fund Balances - Beginning of year	4,353,535
Fund Balances - End of year	$ 4,437,982

COMSEWOGUE PUBLIC LIBRARY
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2015

Net Change in Fund Balance		$ 84,447
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.		
Increase in compensated absences payable	$ (15,450)	
Increase in net other postemployment benefits obligation	(181,907)	
		(197,357)
Capital Related Differences		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceed capital outlays for the period.		
Capital outlays	390,042	
Depreciation expense	(558,570)	
		(168,528)
Long-Term Debt Transaction Differences		
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		260,417
Pension Differences		
The decrease in the proportionate share of the collective pension expense of the state retirement plan reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.		
Employees' retirement system		160,705
Change in Net Position of Governmental Activities		$ 139,684

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Comsewogue Public Library (Library) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the Library are as follows:

A. Reporting Entity

The Library is governed by Education Law and other general laws of the State of New York. The governing body is the Board of Trustees of the Library. The scope of activities included within the accompanying financial statements are those transactions which comprise library operations, and are governed by, or significantly influenced by, the Board of Trustees. The primary function of the Library is to provide information services to the community.

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and 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.

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 other entities which would be included in the Library's reporting entity.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the Library. Governmental activities generally are financed through taxes, state aid, and other exchange and nonexchange transactions.

The Statement of Net Position presents the financial position of the Library at fiscal year end. The Statement of Activities presents a comparison between expenses for library services and revenues for the fiscal year. Expenses are presented in detail by object. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants, contributions, and other revenues that are restricted to meeting the operational or capital requirements of the Library. Revenues that are not classified as program revenues, including real property taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Library's governmental funds. The emphasis of fund financial statements is on major governmental funds as defined by GASB. The Library's financial statements reflect the following major fund:

Governmental Fund:

General Fund - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund. The Library requires no other governmental funds.

C. Measurement Focus and Basis of Accounting

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-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 real property taxes, grants and donations. On an accrual basis, revenue from real 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 governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 180 days after the end of the fiscal year, except for real property taxes, which are considered available if collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, other postemployment benefits, and pension costs, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

D. Real Property Taxes

The Library's real property taxes are levied annually no later than November 1st and become a lien on December 1st. Taxes are collected by the Town of Brookhaven. The Town remits the Library's share of the tax levy to the Library as collected. Uncollected real property taxes are subsequently enforced by the County of Suffolk.

E. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net resources are 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 to Financial Statements.

F. Use of 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. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, and useful lives of long-lived assets.

G. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Certain cash balances are restricted by various legal and contractual obligations.

H. Receivables

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

I. Prepaid Items

Prepaid items represent payments made by the Library for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These items are reported as assets on the Statement of Net Position and Balance Sheet using the consumption method.

Under the consumption method, a current asset for the prepaid item is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that prepaids does not constitute an available spendable resource.

J. Capital Assets

Capital assets are reflected in the government-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at estimated fair market value at the date of donation.

All capital assets, except land are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life (Years)
Building and improvements	$ 500	40 Years
Furniture and equipment	500	5-20 Years
Books and materials	5	5 Years

K. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Library has two items that qualify for reporting in this category. The first item is related to pensions and represents the effect of the net change in the Library's proportion of the collective net pension liability and difference during the measurement period between the Library's contributions and its proportionate share of total contributions to the pension system not included in pension expense. The second item is the Library's contributions to the pension system subsequent to the measurement date.

L. Vested Employee Benefits – Compensated Absences

Compensated absences consist of unpaid accumulated sick leave.

Sick leave eligibility and accumulation is specified by the Library's Board of Trustees and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the Library by June 30th.

M. Other Benefits

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

Library employees may choose to participate in the Library's elective deferred compensation plan established under Internal Revenue Code Section 403(b).

The Library provides health insurance coverage for active employees pursuant to Board policy and the contract with the Director.

In addition to providing these benefits, the Library provides postemployment health insurance coverage for retired employees who were full time employees at the time of retirement. Library employees are 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 postemployment benefits is currently borne by the Library for retirees who were appointed full-time prior to March 1, 2010. Retirees appointed full-time on or after March 1, 2010, share a percentage of the cost of post-retirement benefits based on years of service. The Library recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund, as the liabilities for premiums mature (come due for payment). In the government-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

N. Equity Classifications

Government-Wide Statements

In the government-wide statements there are three classes of net position:

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

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.

Unrestricted – Reports the balances of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of prepaids.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The Library has established the following restricted fund balance:

Restricted for Debt Service

The unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of borrowing, and borrowing premiums can be recorded as amounts restricted for debt service. These restricted funds are accounted for in the general fund.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Library's Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget, as well as the following:

Designation for Capital Improvements

Designated for Capital Improvements is used to pay the cost of non-recurring capital expenditures. The designation is accounted for in the general fund.

Designation for Termination Payments

This designation is used to account for amounts set aside for future termination payments. This designation is accounted for in the general fund.

Assigned fund balance also includes encumbrances not classified as restricted at the end of the fiscal year.

Unassigned – Represents the residual classification for the Library's general fund and could report a surplus or deficit.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Trustees if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Trustees.

The Board of Trustees shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

2. CHANGES IN ACCOUNTING PRINCIPLES

GASB Statements No. 68 and 71

For the fiscal year ended June 30, 2015, the Library implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68.* The implementation of the Statements requires the Library to report as an asset and/or liability its portion of the collective net pension asset and/or liability in the New York State Teachers' and Employees' Retirement Systems. The implementation of the Statements also requires the Library to report a deferred outflow for the effect of the net change in the Library's proportion of the collective net pension liability and difference during the measurement period between the Library's contributions and its proportionate share of total contributions to the pension system not included in pension expense. Also included as deferred outflows, are the Library's contributions to the pension system subsequent to the measurement date.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide 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 resource measurement focus of the government-wide statements, compared with the current financial resource measurement focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

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

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories.

Long-Term Revenue and Expense 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 accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund 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 statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

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 systems.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The Library administration prepares a proposed budget for approval by the Board of Trustees for the general fund, the only fund with a legally adopted budget. The voters of the Library 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 authorized for the year are increased by the amount of encumbrances carried forward from the prior year. 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 can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Trustees as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. 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. The following supplemental appropriations, which were funded by fund balance, occurred during the year:

Capital improvements related to the video surveillance and audio-video (AV) projects	$	67,874
Capital improvements related to the site improvement project		65,850
	$	133,724

Budgets are adopted annually on a basis consistent with GAAP.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

C. Over Expenditure of Certain Appropriations

Certain general fund appropriations were over expended. These were in the following appropriation categories of the budget: conferences and accounting and legal. The general fund budget in total was not over expended.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Library's investment policies are governed by state statutes and Library policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. 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 United States and its Agencies and obligations of New York State and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the Library may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

A. Uncollateralized,
B. Collateralized by securities held by the pledging financial institution, or
C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Library's name.

The Library's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the Library's behalf at year end.

The Library did not have any investments at year-end or during the year. Consequently, the Library was not exposed to any material interest rate risk or foreign currency risk.

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015, were as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Governmental activities				
Capital assets not being depreciated				
Land	$ 230,613	$	$	$ 230,613
Total capital assets not being depreciated	230,613	-	-	230,613
Capital assets being depreciated				
Buildings and improvements	7,116,152			7,116,152
Books and materials	4,043,559	328,709	(455,916)	3,916,352
Furniture and equipment	1,115,169	61,333	(30,754)	1,145,748
Total capital assets being depreciated	12,274,880	390,042	(486,670)	12,178,252
Less accumulated depreciation for:				
Buildings and improvements	2,748,852	164,804		2,913,656
Books and materials	3,173,222	348,172	(455,916)	3,065,478
Furniture and equipment	953,065	45,594	(30,754)	967,905
Total accumulated depreciation	6,875,139	558,570	(486,670)	6,947,039
Capital assets, net	$ 5,630,354	$ (168,528)	$ -	$ 5,461,826

Depreciation expense was $558,570 for the fiscal year ended June 30, 2015.

7. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pensions and other postemployment benefits, for the year are summarized below:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Bonds payable	$ 3,098,333	$	$ (260,417)	$ 2,837,916	$ 266,250
Compensated absences	155,273	15,450	-	170,723	35,000
	$ 3,253,606	$ 15,450	$ (260,417)	$ 3,008,639	$ 301,250

The general fund is used to liquidate long-term liabilities.

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2015
Refunding bonds - capital additions	2005	2024	2.25 - 5.00%	$ 2,837,916

The following is a summary of debt service requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	$ 242,916	$ 122,588	$ 365,504
2017	280,000	110,000	390,000
2018	295,000	97,400	392,400
2019	305,000	84,125	389,125
2020	315,000	70,400	385,400
2021-2024	1,400,000	148,494	1,548,494
	$ 2,837,916	$ 633,007	$ 3,470,923

The original amortization called for total principal payments of $265,000 during the 2015-16 fiscal year. However, the Library pays the monthly payments in the month before the monthly payments are due to ensure timely payments. The Library made the July 2015 principal payment of $22,084 in June 2015 and, therefore, the remaining amount due in the 2015-16 fiscal year is $242,916. Considering the one month payment for July 2016, will be made June 2016, the total amount of principal that the Library will pay in fiscal year 2016 will be $266,250.

8. PENSION PLANS – NEW YORK STATE

A. General Information

The Library participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are a cost-sharing multiple employer, public employee retirement systems. The Systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

B. Provisions and Administration

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The net position of the ERS 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 ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. Once a public employer elects to participate in ERS, 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 ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the ERS before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates used in computing the employers' contributions based on salaries paid during the ERS' fiscal year ending March 31.

The Library's share of the required contributions, based on each year's covered payroll, for the current year and two preceding years was:

Year	ERS
2015	$ 445,099
2014	428,600
2013	401,976

The Library contributions made to the system were equal to 100% of the contributions required for each year.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Library reported the following liability for its proportionate share of the net pension liability for the ERS. The net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. 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 System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the Library.

	ERS
Actuarial valuation date	April 1, 2014
Net pension liability	$ 305,618
District's portion of the Plan's total net pension liability	0.0090467%

For the year ended June 30, 2015, the Library recognized pension expense of $284,394 for ERS. At June 30, 2015, the Library reported deferred outflows of resources related to the ERS from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	$ 9,783
Net difference between projected and actual earnings on pension plan investment	53,082
Changes in proportion and differences between the Library's contributions and proportionate share of contributions	31,226
Library's contributions subsequent to the measurement date	83,844
Total	$ 177,935

Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to the ERS will be recognized in pension expense as follows:

Year Ended	ERS
2016	$ 23,523
2017	23,523
2018	23,523
2019	23,522
	$ 94,091

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Interest rate	7.5%
Salary scale	4.9%
Decrement tables	April 1, 2005 - March 31, 2010 System's Experience
Inflation rate	2.7%

For ERS, annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

For ERS, the actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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 each major asset class, as well as historical investment data and plan performance.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	Target Allocation	Long-term Expected Rate of Return
Measurement date		March 31, 2015
Asset type		
Domestic equity	38.0%	7.30%
International equity	13.0%	8.55%
Real estate	8.0%	8.25%
Alternative investments	19.0%	6.75-11.00%
Domestic fixed income securities		
Global fixed income securities		
Bonds and mortgages	18.0%	4.00%
Short-term		
Cash	2.0%	2.25%
Inflation indexed bonds	2.0%	4.00%
	100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions form 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 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.

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 7.5%, as well as what the Library's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
Library's proportionate share of the net pension asset (liability)	$ (2,037,079)	$ (305,618)	$ 1,156,164

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of the measurement date, were as follows:

	ERS
	(Dollars in Thousands)
Measurement date	March 31, 2015
Employers' total pension liability	$ (164,591,504)
Plan fiduciary net position	161,213,259
Employers' net pension liability	$ (3,378,245)
Ratio of plan fiduciary net position to the employers' total pension liability	97.95%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2015, represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to $83,844 of employer contributions. Employee contributions are remitted monthly.

9. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The Library has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. Contributions made by the employees for the year ended June 30, 2015, totaled $111,296.

10. POSTEMPLOYMENT BENEFITS

A. Plan Description

The Library provides medical, Medicare part B reimbursement, and dental coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The plan does not issue a stand-alone financial report.

B. Funding Policy

The Library assumes the full cost of the premiums for retirees who were appointed full-time prior to March 1, 2010. Retirees appointed full-time on or after March 1, 2010, will share a percentage of the cost of post-retirement benefits based on years of services. The Library recognizes its share of the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements, as payments are made. For the year ended June 30, 2014, the Library recognized general fund expenditures for insurance premiums for approximately 16 enrolled retirees. Currently, there is no provision in the law to permit the Library to fund other postemployment benefits by any means other than the "pay as you go" method.

C. Annual OPEB Cost and Net OPEB Obligation

The Library's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Library's net OPEB obligation.

Annual required contribution (ARC)	$ 385,190
Interest on net OPEB obligation	38,084
Adjustment to ARC	(44,298)
Annual OPEB cost (expense)	378,976
Contributions made	(197,069)
Increase in net OPEB obligation	181,907
Net OPEB obligation - beginning of year	952,102
Net OPEB obligation - end of year	$ 1,134,009

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 378,976	52.00%	$ 1,134,009
June 30, 2014	362,904	52.14%	952,102
June 30, 2013	348,798	51.14%	778,400

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date (which is an update valuation), the plan was 0% funded. The actuarial accrued liability for benefits was $4,652,783 and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $4,652,783. The covered payroll (annual payroll of active employees covered by the plan) was $1,614,718, and the ratio of the UAAL to the covered payroll was 292.5%.

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

The valuation of July 1, 2014, is an update derived from estimates from the previous valuation dated July 1, 2012, based on the fact that there were no material changes to any of the benefit packages, and of the cost sharing structures or the census.

In the July 1, 2014, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after 5 years and a 2.5% inflation rate. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

11. RISK MANAGEMENT

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

12. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The Library expects to appropriate $25,000 from restricted for debt service, which is reported in the June 30, 2015 restricted fund balance, to fund the budget and reduce taxes for the year ending June 30, 2016.

13. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of $377,258 has been appropriated to reduce taxes for the year ending June 30, 2016.

14. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the Library implemented GASB Statements No. 68 and 71. The implementation of Statements No. 68 and 71 resulted in the reporting of a deferred outflow of resources, and a liability related to the Library's participation in the New York State Employees' Retirement System. The Library's net position has been restated as follows:

Net position beginning of year, as previously stated	$ 5,778,181
GASB Statements No. 68 and 71 implementation	
Beginning system liability - employees' retirement system	(408,806)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	120,418
	(288,388)
Net position beginning of year, as restated	$ 5,489,793

15. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2015, the Library encumbered $6,517 in the general fund, which was classified as assigned unappropriated. The encumbered funds mainly consist of expenditures related to the capital projects noted previously.

B. Operating Leases

The Library leases various equipment under non-cancelable operating leases. Rental expense for the year was $15,852. The minimum remaining operating lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2016	$ 10,776
2017	5,481
	$ 16,257

16. SUBSEQUENT EVENTS

The Library has evaluated subsequent events through October 6, 2015, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

COMSEWOGUE PUBLIC LIBRARY
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2015

	Original Budget	Revised Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 2,625,651	$ 2,625,651	$ 2,625,778	$ 127
Other Local Revenue				
Library charges, fines & fees	2,486,836	2,486,836	2,710,713	223,877
Interest	6,000	6,000	8,388	2,388
Sale of property				-
Miscellaneous	6,000	6,000	29,561	23,561
Total Other Local Sources	2,498,836	2,498,836	2,748,662	249,826
State Sources			4,500	4,500
Total Revenues	5,124,487	5,124,487	5,378,940	$ 254,453
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	324,629	458,353		
Prior Year's Encumbrances	137,720	137,720		
Restricted	25,000	25,000		
Total Appropriated Fund Balance	487,349	621,073		
Total Revenues and Appropriated Fund Balance	$ 5,611,836	$ 5,745,560		

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.

COMSEWOGUE PUBLIC LIBRARY
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2015

EXPENDITURES	Original Budget	Revised Budget	Actual	Encumbrances	Final Budget Variance with Actual & Encumbrances
Salaries	$ 2,483,905	$ 2,482,805	$ 2,360,719	$	$ 122,086
Equipment and Capital Outlay	116,922	198,296	117,058	4,087	77,151
Contractual and Other Expenditures					
Library Books	233,339	235,339	231,659	1,811	1,869
Audio-Audio Video	102,018	93,018	80,648	379	11,991
Periodicals, CDs, Etc	19,000	19,000	16,400		2,600
Electronic Database	39,000	43,000	36,420		6,580
Bookbinding	1,000	1,000	-		1,000
Library Programs	80,500	87,500	87,046		454
Conferences	7,050	8,050	8,404		(354)
Circulation	55,000	50,162	45,127		5,035
Office and Library Supplies	22,518	22,518	20,097		2,421
Telephone	8,300	8,300	7,737		563
Cartage	3,500	3,500	2,165		1,335
Postage	13,500	13,500	11,178		2,322
Publicity and Printing	38,000	38,000	35,570		2,430
Annual Election	1,750	1,750	794		956
SCLS Contract Fee	67,762	67,762	67,762		-
Accounting and Legal	61,000	61,000	61,312		(312)
Membership Dues	2,770	2,870	2,783		87
Maintenance Equipment and Building	206,373	272,223	188,922		83,301
Snow Removal	10,000	14,838	14,838		-
Building Security	50,000	50,000	46,847		3,153
Utilities	135,000	135,000	126,977		8,023
Custodial Supplies	6,000	6,000	5,626		374
Insurance	52,150	52,150	51,468	240	442
Rental of Equipment	29,000	17,000	15,852		1,148
Bond Administrative	3,580	3,580	3,580		-
MTA tax	8,000	8,000	659		7,341
Employees' Assistance	3,000	3,000	2,957		43
Sunday Opening	80,000	7,327	-		7,327
Total Contractual and Other Expenditures	1,339,110	1,325,387	1,172,828	2,430	150,129
Employee Benefits					
NYS Employees' Retirement System	414,500	481,673	445,099		36,574
Social Security Expenditures	192,795	192,795	176,927		15,868
Workers' Compensation	14,683	18,983	17,391		1,592
Life Insurance	5,303	5,303	3,904		1,399
NYS Unemployment	2,000	2,000	-		2,000
Hospital & Medical Insurance	606,345	602,045	577,064		24,981
Dental	39,853	39,853	28,582		11,271
Total Employee Benefits	1,275,479	1,342,652	1,248,967	-	93,685

COMSEWOGUE PUBLIC LIBRARY
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2015

	Original Budget	Revised Budget	Actual	Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
Debt Service					
Principal	$ 260,000	$ 260,420	$ 260,417	$	$ 3
Interest	136,420	136,000	134,504		1,496
Total Debt Service	396,420	396,420	394,921	-	1,499
Total Expenditures	$ 5,611,836	$ 5,745,560	5,294,493	$ 6,517	$ 444,550
Net Change in Fund Balance			84,447		
Fund Balance - Beginning of Year			4,353,535		
Fund Balance - End of Year			$ 4,437,982		

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.

COMSEWOGUE PUBLIC LIBRARY
Schedule of Funding Progress - Other Postemployment Benefits
June 30, 2015

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2009	$ -	$ 3,968,623	$ 3,968,623	0%	$ 1,472,666	269.5%
July 1, 2012	-	4,357,105	4,357,105	0%	1,536,912	283.5%
July 1, 2013 (update)	-	4,505,553	4,505,553	0%	1,575,335	286.0%
July 1, 2014 (update)	-	4,652,783	4,652,783	0%	1,614,718	288.1%

COMSEWOGUE PUBLIC LIBRARY
Schedule of the Library's Proportionate Share of the Net Pension Liability
June 30, 2015

		2015
Library's proportion of the net pension liability		0.0090467%
Library's proportionate share of the net pension liability	$	305,618
Library's covered employee payroll	$	2,204,758
Library's proportionate share of the net pension liability as a percentage of its covered employee payroll		13.86 %
Plan fiduciary net position as a percentage of the total pension liability		97.95%

COMSEWO[illegible] UBLIC LIBRARY
Schedule of [illegible]ary Contributions
June 30, 2015

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	$ 445,099	$ 428,600	$ 401,976	$ 341,560	$ 284,277	$ 181,724	$ 140,855	$ 206,161	$ 198,330	$ 234,388
Contributions in relation to the contractually required contribution	445,099	428,600	401,976	341,560	284,277	181,724	140,855	206,161	198,330	234,388
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Library's covered employee payroll	$ 2,166,438	$ 2,275,779	$ 2,195,518	$ 2,166,639	$ 2,150,124	$ 2,095,755	$ 1,938,386	$ 1,843,500	$ 1,776,031	$ 1,665,252
Contributions as a percentage of covered employee payroll	21%	19%	18%	16%	13%	9%	7%	11%	11%	14%

CERTAIN FINANCIAL AND ECONOMIC INFORMATION ON ROGERS MEMORIAL LIBRARY COMPANY

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CERTAIN FINANCIAL AND ECONOMIC INFORMATION ON ROGERS MEMORIAL LIBRARY COMPANY

GENERAL INFORMATION

Introduction

Rogers Memorial Library Company is a not-for-profit tax-exempt corporation duly incorporated and existing under the laws of the State and operating as a free association library located on Long Island in Southampton, New York. The Library's service area extends from Shinnecock Hills on the west to Hayground on the east, a popular vacation spot and secondary home community on the eastern tip of Long Island. The service area has a population of 14,000 residents that burgeons to over 30,000 during the summer months. The Library is affiliated with both the Southampton Union Free School District and the Tuckahoe Common School District (collectively, the "School Districts") in the Town of Southampton (the "Town") in Suffolk County (the "County") and is a member of the Suffolk Cooperative Library System, a cooperative system created by agreement of the boards of chartered member libraries, each of which retain their autonomy. Rogers Memorial Library Company was originally founded in 1893 under the terms of a gift from Harriet Jones Rogers. Its current location at the corner of Job's Lane and Main Street was opened in 1896 and expanded in 1915 to its present size of 6,200 square feet which includes 4,800 square feet of usable space.

The Library provides library services primarily to the residents of the School Districts, although the Library is available to all the residents of the Suffolk Cooperative Library System area. The Library has no independent power of taxation and funding for the Library is primarily derived from real property taxes levied on behalf of the Library by the School Districts. Although revenues of the Library are derived from real property taxes levied by the School Districts and referenda for Library funding must be approved by the electorate of the School Districts, the Library and the School Districts are independent entities, are governed by independent governing boards and have independent financing powers under State Law.

The Library is one of 56 member libraries in the Suffolk Cooperative Library System, an organization staffed by a full-time professional staff. The Suffolk Cooperative Library System provides centralized administrative, planning and support services County-wide, including an advanced data processing network linking all member libraries and enhancing their inter-library loan programs.

The Series 2016 Bonds are not a debt of the State, the County, the Town or the School Districts nor is the State, the County, the Town or the School Districts liable thereon.

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Governance and Administration

The Library is governed by an elected Board of Trustees (the "Board") consisting of nine (9) members, all of whom were elected by residents of the Southampton Union Free School District and the Tuckahoe Common School Districts. A resident of either School District who is 18 years or older is eligible to run for election to the Board. One seat on the Board is designated for a resident of the Southampton School District and another is designated for a resident of the Tuckahoe School District. Board members are elected for staggered four-year terms with a two term limit. The Board meets once every month for regular meetings and holds an annual meeting in January.

The present members of the Board are:

Name	Principal Occupation	Term Expires
Sandra Klemuk President	Owner, Braun Marketing, Inc.	2016
Robert Gerbereux Vice President	Retired College Library Director	2017
Susan Johns Secretary	Retired School Librarian	2017
David Campbell Treasurer	Sales Representative, Window City, Inc.	2018
Vicki Kahn Trustee	Owner, Agawam Town & Village Real Estate	2019
Isabel Sepulveda deScanlon Trustee	Owner, Consignment Store	2019
Patricia Finocchiaro Trustee	Recruiting Executive, NYDJ, Inc.	2017
Alexandra Halsey-Storch Trustee	Attorney, Twomey, Latham, Shea, Kellye, Dubin & Quartararo LLP	2018

Elizabeth Burns was appointed as Library's Director in 2009. She brought 13 years of experience as a director, first at the Brookhaven Free Library and then at the Cutchogue New Suffolk Free Library. The Director acts as a liaison to the Board and as Director of all duties pertaining to library operations.

Brenda Frankenbach was appointed as the head of the Library's Finance Department in 2008. Prior to that position, Ms. Frankenbach had been a clerk in the Finance Department since 2004. Ms. Frankenbach is responsible for the preparation of the Library's financial statements and government filings, as well as handling day to day financial matters including payroll, accounts payable, employee benefits, banking and insurance matters. She assists the Director in preparing the annual budget and works with the library's auditor.

The Service Area

The School Districts are situated in the Town of Southampton on the South Fork of Long Island in Suffolk County. The School Districts' southern boundary is formed by the Atlantic Ocean and its northern boundary by Peconic Bay. The School Districts have a combined population currently estimated at 14,000 and encompass a land area of approximately 37.8 square miles. The school districts are comprised of residentially-based communities expanded upon areas originating as rural farming communities; in addition, the area consists of resorts and second/vacation homes.

The community consists of residences, co-ops, farms, small businesses, golf courses, a branch of Stony Brook University, private mansions on the ocean front, private clubs and churches. Commercial activity is in the form of shopping centers and small retail outlets. Because of the geographic location, surrounded by water, there are recreational activities available to residents, tourists and second homeowners. Most industrial and commercial activity serve as support services for second homeowners and summer tourists.

The School Districts are served by the Sunrise Highway (State Route 27) as well as a system of village, town and country roads. Train service is provided by the Long Island Railroad and the Hampton Jitney (bus) provides access to the western part of the county and New York City. Islip McArthur Airport is approximately 30 miles to the west. Electric and gas service are provided by Public Service Enterprise Group's (PSEG) Long Island subsidiary and National Grid. Water is provided by the Suffolk County Water Authority as well as artesian wells in the more rural areas. Sewage service is provided by septic tanks and/or cesspools. Police protection is furnished by the Southampton Town Police and the Southampton Village Police. The Southampton and North Sea Fire Departments provide the districts with fire protection.

Real Property Taxes

Funding for the operations of the Library is primarily derived from real property taxes levied by the School Districts on behalf of the Library and collected by the Town on behalf of the School Districts. The School Districts derive their power to levy ad valorem real property taxes on behalf of the Library from the State Constitution, the State Education Law and the State Real Property Tax Law. The Real Property Tax Law governs methods and procedures to levy, collect and enforce this tax. The Town prepares real property assessment rolls used for the tax of the School Districts levied on behalf of the Library. The Town in conjunction with the State Board of Real Property Services determines assessment valuations. In addition, the State Board of Real Property Services annually establishes equalization rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aid and are used by many localities in the calculation of debt contracting and real property taxing limitations.

Property Tax Cap Law

Chapter 414 of the Laws of 1995 governs the methodology by which a free association library can cause the levy of a tax, or an increase thereof, on its behalf by a municipality or school district. However, on June 24, 2011, the Property Tax Cap Law, as written in Chapter 97 of the State Laws of 2011, was signed into law. The Property Tax Cap Law establishes a limit on the annual growth of property taxes levied by local governments. It does not specifically mention libraries; however, guidance issued by the office of the State Comptroller and jointly by the State Department of Taxation and Finance and the State Department of State indicates that it is intended to cover libraries. It applies for any fiscal year commencing after January 1, 2012. The power of local governments to levy real property taxes on all taxable real property within their boundaries without limitation as to rate or amount is subject to statutory limitations pursuant to formulae set forth in the Property Tax Cap Law. The Property Tax Cap Law restricts the increase in the amount of the succeeding year's tax levy to no more than the lesser of 2% of the prior year's tax levy or an inflation rate as computed under the Property Tax Cap Law, with limited exceptions.

The Property Tax Cap Law does not explicitly address how free association libraries affiliated with a municipality or school district which levies property tax on their behalf (such as the Library) will be treated, i.e., as a part of a school district or local government or as its own local government. However, the guidance noted above indicates that the tax levy of a special district that has a separate independent elected board and has the authority to levy a tax or can require a municipality or school district to levy a tax on its behalf is subject to the tax levy limit. Further, to the extent that the budget of a special district, such as a library district, is comprised of revenues generated by its own taxing authority or a tax levy of another government that the local government or school district is required to impose on behalf of the special district, those tax revenues are believed to fall within the tax levy limit of the special district.

This interpretation means that free association libraries, like the Library, have their own, separate tax cap, and that the mechanism to exceed the tax cap is the same as for local government. To exceed the tax cap, the Property Tax Cap Law requires a library board to pass a vote by a 60% margin of trustees, then bring the proposal to a public vote. If the public approves the proposal by a simple majority (more than 50%), only then may the tax cap be exceeded.

The Library's budget for fiscal years beginning January 1, 2015 and January 1, 2016 did not exceed the established tax limit for each year. The qualified voters in the School Districts approved such budgets by an approval rate of 84% and 85%, respectively.

Tax Collection Procedure

Property taxes for the Library, the School Districts, together with County, Town and Fire District taxes, are collected by the Town Tax Receiver. Such taxes are due and payable in equal installments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the date such taxes are due and 10% after May 31.

The Town Tax Receiver distributes the collected tax money to the Town, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receiver and any deficiency in tax collection is the County's liability. The Library thereby is assured of full tax collection.

Library Budget

The Library's fiscal year begins on January 1st and ends on December 31st. During the winter and early spring, the budget is developed by the Library Director with input from the Library department heads. The Library Board further refines the budget. The budget is submitted to the School Districts in the month of May. The 2015 budget was approved by the School Districts' voters on August 8, 2014 and the 2016 budget was approved by the School Districts' voters on August 7, 2015. The 2015 and 2016 budgets are included below:

Budget Summaries

	Fiscal Years Ending Dec 31	
	2015	**2016**
Revenues:		
Tax Revenues	$4,297,680	$4,351,401
State Aid	6,800	6,800
Fines and Forfeitures	71,500	72,100
Payment in Lieu of Taxes	9,000	11,000
Total Revenues	$4,384,980	$4,441,301
Expenditures:		
Salaries & Benefits	$2,862,798	$2,913,533
Materials	498,114	503,200
Operations	602,500	603,000
Debt Service	421,568	421,568
Total Expenditures	$4,384,980	$4,441,301

Insurance

The Library maintains a comprehensive package of institutional insurance coverage. The policy coverage (both its limits and policy scope) is periodically evaluated to assure that appropriate coverage is maintained based upon replacement value of the existing physical library structures and an analysis of potential liabilities. At the present time, the Library has $14,739,698 coverage on real and personal property, including boiler and machinery, $7,000,000 (aggregate) in liability coverage, $7,000,000 (aggregate) in director and officers' liability coverage and $6,275,000 automobile worker's compensation and employee liability, crime and electronic data processing coverage.

Employees

The Library currently employs 31 full-time and 25 part-time individuals, all under the supervision of the Library's Director, of whom 8 are professionals with Masters Degrees in Library Science. The remaining staff consists of the clerical staff. The Library has a history of good relations with its employees.

Employee Pension System

The Library offers employees a defined contribution plan through TIAA-CREF. In this plan, the library employees may contribute 2.5% of their annual income and the library will match it with a 9% contribution. Employees are able to contribute additional income to a supplemental annuity plan with maximum amounts determined by the Internal Revenue Service.

The Library's required contribution for a given fiscal year is based on the library's payroll.

The following chart represents the TIAA-CREF contributions for each of the last five completed fiscal years.

Fiscal Year Ending Dec 31	TIAA-CREF Contribution
2010	$136,502
2011	148,213
2012	155,153
2013	167,012
2014	168,379

Other Post Employment Benefits

The Library does not provide post-employment healthcare benefits to any of its employees.

ANNUAL FINANCIAL STATEMENT INFORMATION

The Library's financial statements for the fiscal years ending December 31, 2014 and December 31, 2013, audited by Baldessari & Coster, LLP, Certified Public Accountants, are included at the end of this Appendix B2. Financial information of the type that follows is expected to be provided by the Library annually via the filing of the Library's annual financial statements in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Revenues and Expenditures

The Library receives most of its revenue from a real property tax levied by the School Districts on all non-exempt real property situated within the School Districts.

The revenues and expenses of the Library are determined by the annual operating budget proposed by the Board and voted upon by the residents of the School Districts annually. The fiscal management of the Library is governed according to each annual operating budget. The Board is responsible for oversight of the Library's management control and disbursement of funds and maintenance of assets. The Library's management is responsible for day-to-day operations. The Library's budget is created on good faith estimates of revenues and expenses, which estimates may be inaccurate.

In addition to the annual operating budget vote, the residents of the School Districts can authorize the Library to cause a tax to be levied annually to cover maximum annual debt service on a capital project of the Library up to a set maximum annual amount.

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Below is a summary of the Library's unrestricted revenues and expenses for last five fiscal years.

Summary of General Fund Revenues and Expenditures

	Fiscal Years Ending:				
	Dec 31, 2010	**Dec 31, 2011**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2014**
Revenues:					
Tax revenues	$3,571,216	$3,633,615	$3,754,853	$3,835,150	$3,918,691
Library charges, fines & fees	45,380	43,386	41,228	44,654	38,874
Investment Income	11,937	10,247	6,020	3,559	2,852
Gifts, Grants and Aid	54,728	63,232	64,473	91,410	97,358
Payments in lieu of taxes	11,442	12,808	13,777	13,767	14,776
Miscellaneous income	-	202	667	687	905
Total Revenues	$3,694,703	$3,763,490	$3,881,018	$3,989,227	$4,073,456
Expenses and Transfers:					
Salaries and Benefits	$2,420,646	$2,517,303	$2,603,431	$2,708,705	$2,737,659
Library materials	287,856	302,162	288,255	307,523	287,458
Library operations	387,068	408,718	376,691	391,057	386,299
Building operations	346,782	358,246	336,866	376,361	353,256
Capital outlay	15,273	11,845	24,440	65,114	18,361
Interfund transfers	100,000	275,000	(155,740)	100,000	100,000
Total Expenses and Transfers	$3,557,625	$3,873,274	$3,473,943	$3,948,760	$3,883,033
Excess (deficiency) of revenues over expenses and transfers	$ 137,078	$ (109,784)	$ 407,075	$ 40,467	$ 190,423

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Fund Balances

The table below presents the accumulated liquid funds held in the General Fund for each of the fiscal years ending December 31, 2010 through December 31, 2014. The table was prepared from the Library's accounting records, which are maintained on the basis of accounting practices as prescribed by the Uniform System of Accounts for Library Systems mandated by the State of New York.

In accordance with these principles, the Library maintains a General Fund, a Building Fund and a Permanent Fund. In addition, the Library maintains a General Fixed Asset Group of Accounts which are used to record fixed assets not recorded in the asset and liability account of other funds.

Statement of Financial Position

	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014
Assets:					
Cash & Equivalents	$876,301	$832,703	$1,004,022	$764,021	$ 949,381
Receivables	-	948	1,523	1,043	1,777
Investment - CDs	-	-	-	212,769	214,078
Prepaid Expenses	3,030	-	1,812	9,064-	5,240
Internal Receivables	-	-	-	-	9,458
Other Assets	1,591	1,144	173	-	-
Total Assets	$880,922	$834,795	$1,007,530	$986,897	$1,179,934
Liabilities:					
Accounts Payable	$30,294	$85,760	$93,560	$ 25,985	$ 21,077
Internal Payables	256,645	256,619	543	1,274	-
Payroll Payable	34,555	42,900	56,890	62,632	71,451
Other payables	314	186		134	111
Total Liabilities	$321,808	$385,465	$ 151,125	$ 90,025	$ 92,639
Fund Balances:					
Unassigned	$494,824	$388,186	$ 746,165	$832,618	$1,024,835
Committed for Specific Purposes	60,000	60,000	108,428	55,190	55,190
Restricted for Specific Purposes	4,290	-	-	-	2,030
Non-spendable	-	1,144	1,812	9,064	5,240
Total Fund Balance	$559,114	$449,330	$ 856,405	$896,872	$1,087,295
Total Liabilities and Fund Balance	$880,922	$834,795	$1,007,530	$986,897	$1,179,934

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OPERATING DATA

Funding for the operations of the Library is primarily derived from real property taxes levied by the School Districts on behalf of the Library on all non-exempt real property located within the School Districts. The following information summarizes the tax base upon which the Library is dependent for funding.

Valuations, Tax Rates and Levies

A summary of valuations and tax rates for the past five years for the Library District is provided below:

Summary of Valuations (Southampton Union Free School District)

Tax Year Ending Dec. 31	Assessed Value of Taxable Real Property	State Equalization Rate	Full Valuation
2012	$20,826,600,124	100.00%	$20,826,600,124
2013	20,610,778,393	100.00	20,610,778,393
2014	20,789,209,197	100.00	20,789,209,197
2015	21,129,738,370	100.00	21,129,738,370
2016	22,141,328,052	100.00	22,141,328,052

Tax Rates Per $1,000 of Assessed Valuation

Year	Library Tax
2012	$0.175
2013	0.181
2014	0.184
2015	0.184
2016	0.178

Source: Tax Rate Sheets from the Town of Southampton.

Summary of Valuations (Tuckahoe Common School District)

Tax Year Ending Dec. 31	Assessed Value of Taxable Real Property	State Equalization Rate	Full Valuation
2012	$2,395,083,345	100.00%	$2,395,083,345
2013	2,187,676,046	100.00	2,187,676,046
2014	2,185,734,221	100.00	2,185,734,221
2015	2,269,679,891	100.00	2,269,679,891
2016	2,308,062,899	100.00	2,308,062,899

Tax Rates Per $1,000 of Assessed Valuation

Year	Library Tax
2012	$0.177
2013	0.180
2014	0.184
2015	0.185
2016	0.178

Property Tax Revenue

Fiscal Year Ended	Total Revenues	Real Property Taxes	Real Property Taxes as a Percentage of Total Revenues
December 31, 2011	$3,763,490	$3,633,615	96.6%
December 31, 2012	3,881,018	3,754,853	96.7
December 31, 2013	3,989,227	3,835,150	96.1
December 31, 2014	4,073,456	3,918,691	96.2
December 31, 2015*	4,384,980	4,297,680	98.0
December 31, 2016*	4,441,301	4,351,401	98.0

Source: Audited Financial Statements and the 2015 and 2016 adopted budgets of Rogers Memorial Library Company. Fiscal Years 2015 and 2016 are budgeted numbers

Selected Listing of Largest Taxable Properties

The following is a listing of the ten largest taxable properties in the School Districts for 2014-2015:

Largest Taxable Properties

National Grid	Utility	$140,094,057
Leon D. Black	Residential	64,807,700
Olde Town SH Associates LLC	Commercial	59,233,500
Hampton Center Realty LLC	Commercial	55,465,000
Yumi & The Kids, LLC	Commercial	50,256,700
Cheryl G. Krongard	Residential	49,519,400
Permelynn of Bridgehampton, Inc.	Commercial	47,872,800
Villa Maria LLC	Commercial	46,014,400
Hamptons Real Property, LLC	Commercial	45,662,400
650 Meadow Lane, LLC	Residential	43,603,400
		$602,229,357

Source: Town of Southampton Department of Assessment

The total assessed value of the largest taxable properties listed above represents 2.57% of the Assessed Valuation for the Library.

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* Adopted Budget

Economic and Demographic Information

The following table sets forth population statistics for the School Districts, Town, County and the State of New York.

Population Trends

Year	School Districts	Town of Southampton	Suffolk County	New York State
1980	N/A	42,849	1,284,231	17,558,072
1990	N/A	44,976	1,321,864	17,990,455
2000	13,443	54,713	1,419,369	18,976,457
2010	14,138	56,790	1,493,350	19,378,102

Source: U.S. Census Bureau

Selected Wealth and Income Indicators

Per Capita Income

	2000	2010	% Change
Town of Southampton	$ 31,320	$ 47,111	50.41%
Suffolk County	26,577	35,755	34.53
New York State	23,389	30,948	32.31

Source: U.S. Department of Commerce, Bureau of the Census

Family Median Income – For the Year 2010
Income Groups - % of Families

	Median Income	Under $25,000	$25,000-49,999	$50,000-74,999	$75,000-99,999	$100,000 or more
Town of Southampton	$89,560	7.7%	17.4%	16.8%	15.1%	43.0%
Suffolk County	84,506	11.7	15.3	16.8	15.2	41.0
New York State	55,603	23.4	22.0	17.4	12.2	25.1

Source: U.S. Department of Commerce, Bureau of the Census

Unemployment Rate Statistics

Unemployment statistics are not available for the School Districts as such. The smallest area for which such statistics are available (which includes the School Districts) is the Town.

Year	Town of Southampton	Suffolk County	New York State
2011	7.6%	7.3%	8.0%
2012	7.8	7.8	8.6
2013	6.8	6.5	7.7
2014	5.6	5.3	6.4
2015*	5.1	4.8	5.4

Source: Department of Labor, State of New York.

* 10 Months.

LITIGATION

There are no suits pending or, to the knowledge of the officers of the Library and members of the Board, threatened against the Library wherein an unfavorable result would have a material adverse effect on the financial condition of the Library or impair the levy and collection of the ad valorem taxes.

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ROGERS MEMORIAL LIBRARY

FINANCIAL REPORT
WITH ADDITIONAL INFORMATION

DECEMBER 31, 2014

ROGERS MEMORIAL LIBRARY

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Rogers Memorial Library
91 Coopers Farm Road
Southampton, New York 11968

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Rogers Memorial Library as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rogers Memorial Library, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 24 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rogers Memorial Library's financial statements as a whole. The Building Fund and the Permanent Fund schedules of revenues and expenditures are presented for purposes of additional analysis and are not a required part of the financial statements. The Building Fund and the Permanent Fund schedules of revenues and expenditures are the responsibility of management and were derived from and relate directly to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Certified Public Accountants
Stewart Manor, New York
March 30, 2015

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, in thousands of dollars:

	December 31, 2014	December 31, 2013	Increase (Decrease)
Current assets	$ 1,443	$ 1,298	$ 145
Investments	214	213	1
Funds held in trust	464	462	2
Capital assets	7,960	8,155	(195)
Total Assets	10,081	10,128	(47)
Long-term debt	3,662	3,856	(194)
Other liabilities	194	171	23
Total Liabilities	3,856	4,027	(171)
Net Position:			
Net investment in capital assets	4,492	4,485	7
Restricted for specfic purposes	515	514	1
Unrestricted	1,218	1,102	116
Total Net Position	$ 6,225	$ 6,101	$ 124
Revenue:			
Tax revenues	$ 4,240	$ 4,156	$ 84
Other revenue	157	159	(2)
Total Revenue	4,397	4,315	82
Expenses - Library Services	4,273	4,363	(90)
Change in net position	124	(48)	172
Net position - beginning of year	6,101	6,149	(48)
Net Position - End of Year	$ 6,225	$ 6,101	$ 124

The Library As A Whole

- The Library's net position increased by $123,679 this year. This was primarily the net result of lower spending than anticipated within the General Fund (see explanations in the budgetary highlights below), offset by the expenditures within the Building Fund and the required GASB 34 adjustments identified in Note 13.

- The Library's primary source of revenue is from tax revenues, which represents 96 percent of total revenue. This is the same percentage as the prior year.

- As is typical of service agencies, salaries and benefits are a significant expense of the Library, representing 64 percent of the Library's total expenses (as per the Statement of Activities). This is two percent higher than the prior year.

The Library Funds:

Our analyses of the Library's major funds are included in the first four 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 Building Fund and the Permanent Fund.

The fund balance of the General Fund increased from $896,872 to $1,087,295. This is primarily the result of the budgetary highlights described below.

The fund balance of the Building Fund decreased during the year by $69,333. The fund balance of the Permanent Fund is $94,505. This is the same balance as the prior year.

Budgetary Highlights:

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

- In total, the revenue budget section for gifts, grants and aid had a favorable budget variance of $65,558. This was primarily due to receiving more State aid as well as gifts from the Friends of the Library and other private donors than had been anticipated.

- Interest and dividend income was lower than anticipated due to the low interest rates received on the certificates of deposit.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Budgetary Highlights: (continued)

- The favorable variance in the payments in lieu of taxes budget line was due to receiving more payments than expected. The Library budgets conservatively for these items because they are not a guaranteed revenue source.

- Although there were favorable and unfavorable variances within specific budget lines of the salaries and employee benefits budget section, many of them offset one another. Overall, the budget section was only underspent by $61,074 or 2.18%. It is difficult to budget on an individual line basis because of staff transitioning in and out of employment with the Library as well as the use of part-time and per diem employees.

- The library materials budget section was underspent by $35,922. This was due to a decrease in the circulation of certain materials. The Library attributes the lower demand and purchase of fewer items to the increased demand of materials in an electronic or downloadable format.

- The budget line for telecommunications was underspent by $11,887. The Library attributes this to the receipt of an E-rate reimbursement, the lower than expected cost for the T-1 line as well a decrease in the use of the telephone. For purposes of contacting patrons, telephone usage has decreased as emailing and texting usage has increased.

- The budget line for programs was overspent by $47,847. The Library attributes this to the high public demand for its programs and museum passes. Although more funds were spent on programs than anticipated, these costs were offset by charitable donations received from the Friends of the Library as well as private donors.

- Less was spent on fuel and utilities than had been expected. The Library attributes this to the repairs and increased maintenance of its HVAC system which is operating much more efficiently.

- Insurance expenditures were $10,093 less than anticipated. The Library budgeted for insurance expenditures based upon proposed rate increases provided by the insurance representative. Fortunately, the actual premiums charged were less than what had been proposed. In addition, the Library received a large safety dividend from its insurer due to its favorable claims experience.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Capital Assets:

During the year ending December 31, 2014 the Library purchased $124,587 of fixed assets (capital outlay). Purchases were primarily for building improvements such as the roof replacement and fencing. Other purchases included furniture, computer equipment, etc. During the year the Library also discarded broken or obsolete equipment that had an original cost of $22,503.

Debt Administration:

Long term debt consisted of bonds payable, notes payable and the debt the Library has to its employees for unused sick and vacation time (compensated absences). During the fiscal year ending December 31, 2014 the Library made a principal payment of $155,000 on the bond reducing the liability from $3,310,000 to $3,155,000. The Library also made principal payments of $43,050 on the notes payable. This resulted in a reduction of the liability from $277,861 to $234,811. The liability for compensated absences at December 31, 2014 was $272,747. This represents an increase of $4,106 from the previous year.

Currently Known Conditions:

The Library budget vote for the 2015 year was approved by the taxpayers. The anticipated tax revenues will be $4,328,651. This represents a 2.13 percent increase as compared to the 2014 year budget.

ROGERS MEMORIAL LIBRARY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2014

	General Fund	Building Fund	Permanent Fund	Total	Adjustments (Note 13)	Statement of Net Position
Assets:						
Cash and cash equivalents:						
Checking	$ 66,775	$ 31,229	$	$ 98,004	$	$ 98,004
Money market	882,106	243,833		1,125,939		1,125,939
Certificates of deposit		116,974	42,963	159,937		159,937
Petty cash	500			500		500
Total cash and cash equivalents	949,381	392,036	42,963	1,384,380	0	1,384,380
Accrued interest receivable	277			277		277
Grant receivable	1,500			1,500		1,500
Internal receivables	9,458		542	10,000	(10,000)	
Prepaid expenses	5,240			5,240		5,240
Investment- certificates of deposit	214,078			214,078		214,078
Funds held in trust (note 7)		463,954		463,954		463,954
Cash-restricted for permanent endowment			51,000	51,000		51,000
Capital assets, net of depreciation					7,960,172	7,960,172
Total Assets	$ 1,179,934	$ 855,990	$ 94,505	$ 2,130,429	$ 7,950,172	$ 10,080,601

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

ROGERS MEMORIAL LIBRARY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2014

	General Fund	Building Fund	Permanent Fund	Total	Adjustments (Note 13)	Statement of Net Position
Liabilities:						
Accounts payable	$ 21,077	$ 22,595	$	$ 43,672	$	$ 43,672
Accrued payroll	71,451			71,451		71,451
Internal payables		10,000		10,000	(10,000)	
Other payables	111			111		111
Accrued interest payable					78,393	78,393
Non-current liabilities:						
Compensated absences payable					272,747	272,747
Notes payable, within one year					45,359	45,359
Notes payable, due after one year					189,452	189,452
Bonds payable, within one year					165,000	165,000
Bonds payable, due after one year					2,990,000	2,990,000
Total Liabilities	92,639	32,595	0	125,234	3,730,951	3,856,185
Fund Balance:						
Nonspendable	5,240		51,000	56,240	(56,240)	
Restricted funds held in trust		463,954		463,954	(463,954)	
Restricted for teen programs	2,030			2,030	(2,030)	
Committed for specific purposes (note 10)	55,190	15,171	41,327	111,688	(111,688)	
Assigned		344,270	2,178	346,448	(346,448)	
Unassigned	1,024,835			1,024,835	(1,024,835)	
Total Fund Balance	1,087,295	823,395	94,505	2,005,195	(2,005,195)	
Total Liabilities And Fund Balance	$ 1,179,934	$ 855,990	$ 94,505	$ 2,130,429		
Net Position:						
Net investment in capital assets					4,491,968	4,491,968
Restricted for permanent trust					51,000	51,000
Restricted by lender					463,954	463,954
Unrestricted					1,217,494	1,217,494
Total Net Position					$ 6,224,416	$ 6,224,416

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

ROGERS MEMORIAL LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Building Fund	Permanent Fund	Total	Adjustments (Note 13)	Statement of Activities
Revenues:						
Tax revenues	$ 3,918,691	$ 321,530	$	$ 4,240,221	$	$ 4,240,221
Gifts, grants and aid	97,358			97,358		97,358
Investment income	2,852	1,573		4,425		4,425
Payments in lieu of taxes	14,776			14,776		14,776
Library fines	28,826			28,826		28,826
Copier and printer fees	10,048			10,048		10,048
Miscellaneous	905			905		905
Total Revenues	$ 4,073,456	$ 323,103	$ 0	$ 4,396,559	$ 0	$ 4,396,559

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

ROGERS MEMORIAL LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Building Fund	Permanent Fund	Total	Adjustments (Note 13)	Statement of Activities
Expenditures/Expenses For Library Services:						
Salaries and Employee Benefits	$ 2,737,659	$	$	$ 2,737,659	$ 4,106	$ 2,741,765
Library Materials	287,458			287,458		287,458
Library Operations	386,299	2,316		388,615		388,615
Building Operations	353,256	11,350		364,606		364,606
Capital Outlay	18,361	106,226		124,587	(124,587)	
Depreciation					319,803	319,803
Debt Service:						
Principal		198,050		198,050	(198,050)	
Interest		174,494		174,494	(3,861)	170,633
Total Expenditures/Expenses	3,783,033	492,436	0	4,275,469	(2,589)	4,272,880
Excess Of Revenues Over Expenditures	290,423	(169,333)	0	121,090	2,589	
Other Financing Sources/Uses:						
Transfers - internal activities	(100,000)	100,000		0		
Excess (Deficiency) Of Revenues And Transfers In Over Expenditures	190,423	(69,333)	0	121,090	(121,090)	
Change In Net Position					123,679	123,679
Fund balance/net position - beginning of year	896,872	892,728	94,505	1,884,105	4,194,832	6,100,737
Fund Balance/Net Position - End Of Year	$ 1,087,295	$ 823,395	$ 94,505	$ 2,005,195	$ 4,318,511	$ 6,224,416

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

ROGERS MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1: Summary of Significant Accounting Policies

The accounting policies of Rogers Memorial Library 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 Rogers Memorial Library is located in Southampton, New York and coordinates the raising of its real estate tax revenues with the Southampton Union Free School District and Tuckahoe Common School District. 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 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.

ROGERS MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1: Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements: Governmental fund financial statements are reported using the modified accrual basis of accounting prescribed by the Governmental Accounting Standards Board and the State of New York's Department of Audit and Control, Division of Municipal Affairs. Under this method, revenues are recognized in the period in which they become both measurable and available. Fees and other income items other than interest income are recorded when received in cash. Expenditures are recognized in the period in which the liability is incurred. However, debt service expenditures 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.

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

Permanent (Endowment) Fund: This fund is established to account for resources donated to the Library where either the principal donation and/or the income generated by such donation has been earmarked for a specific purpose.

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.

ROGERS MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1: Summary of Significant Accounting Policies (continued)

D. 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.

E. Use of Restricted/Unrestricted Net Position: When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Library's policy is to apply restricted net position first.

F. 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.

G. Investments: The Library carries investments in marketable securities with readily determinable values at their fair market value.

NOTE 1: Summary of Significant Accounting Policies (continued)

H. Capital Assets: Capital assets are defined by the Library as assets with an initial cost of $500 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Library books and materials are not capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	40 years
Equipment	5 years
Furniture and fixtures	7 to 15 years

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

NOTE 2: Concentration of Credit Risk

The Library maintains its cash balances at several banks. All cash balances are insured by the Federal Deposit Insurance Corporation (F.D.I.C) up to the maximum limits prescribed by law. At year end, the Library's carrying amount of deposits and its investment in certificates of deposit was $1,648,958 (excludes petty cash) and the bank balance was $1,700,673. Of the bank balance $799,731 was covered by federal depository insurance and the balance of $900,942 was covered by third party collateral.

NOTE 3: Investments

Generally, fair values for investments are determined by reference to quoted market prices for similar investments, yield curves, and other relevant information. There were no changes in valuation techniques in the twelve months ended December 31, 2014. The Library recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the twelve months ended December 31, 2014.

ROGERS MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3: Investments (continued)

Fair value measurements for investments reported at fair value on a recurring basis at December 31, 2014 were determined based on:

Investment in Certificates of Deposit:	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Market Value
SCNB - maturing 10/07/15 yielding .5%	$ 0	$ 76,707	$ 76,707
SCNB - maturing 02/09/15 yielding .4%	0	137,371	137,371
Total Investment in Certificates of Deposit	$ 0	$ 214,078	$ 214,078

NOTE 4: Capital Assets

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

	Balance as of 1/1/2014	Additions	Deletions and Adjustments	Balance as of 12/31/2014
Assets not being depreciated:				
Land	$ 750,000	$ 0	$ 0	$ 750,000
Artwork	43,800			43,800
Other Capital Assets:				
Building and improvements	11,013,400	106,226		11,119,626
Furniture and fixtures	675,138	14,213		689,351
Computer equipment	218,571	4,148	(22,503)	200,216
Other equipment	108,732			108,732
Total	12,809,641	124,587	(22,503)	12,911,725
Accumulated depreciation	(4,654,253)	(319,803)	22,503	(4,951,553)
Net Book Value	$ 8,155,388	$ (195,216)	$ 0	$ 7,960,172

NOTE 5: Compensated Absences Payable

The Library has an accumulated liability as of December 31, 2014 for unused vacation and sick pay amounting to $272,747. No portion of this liability is expected to be paid within one year.

NOTE 6: Retirement

The Library maintains a defined contribution retirement plan via a salary reduction 403(b) plan. The full-time employees become eligible at age 21 with one full year of service. The Library withholds 2 ½ % of gross salary and will then contribute 9% of the employees' salary to the plan, for a total of 11 ½ % contributed between employee and employer.

NOTE 7: Bonds Payable

On June 7, 1997 the taxpayers voted to approve the construction of a new Library. The project was partially financed by a bond issue of $5,000,000, issued by the Dormitory Authority of the State of New York.

The bonds, which are payable until July 1, 2028, have an interest rate that increases from 4.1% to 5% over their term. As of December 31, 2014, $3,155,000 remained payable. Future payments are due each year as follows:

Year Ending December 31,	Principal Payments	Interest Payments	Total Payments
2015	$ 165,000	$ 155,025	$ 320,025
2016	170,000	147,270	317,270
2017	180,000	139,195	319,195
2018	185,000	130,555	315,555
2019	195,000	121,675	316,675
2020-2024	1,130,000	455,250	1,585,250
2025-2028	1,130,000	145,000	1,275,000
Total	$ 3,155,000	$ 1,293,970	$ 4,448,970

NOTE 7: Bonds Payable (continued)

As part of the agreement with the Dormitory Authority the net proceeds from the sale of the bonds as well as certain reserves were to be held in trust at State Street Bank and Trust Company, N.A. Expenditures from these funds can only be made by the trustee with the approval of the Dormitory Authority.

As of December 31, 2014 the following funds are being held in trust:

	Total	Cash	Treasury Obligations
Debt service account	$ 160,019	$ 19,929	$ 140,090
Rebate account	9,526	526	9,000
Building & equipment reserve	294,409	453	293,956
Total	$ 463,954	$ 20,908	$ 443,046

NOTE 8: Note Payable

During 2004 the Library converted its line of credit payable to an $800,000 note payable. The note had been payable monthly over a fifteen year term at a fixed rate of 6%. During 2008 the loan was modified such that the Library would receive a reduced interest rate. As of December 31, 2014 the interest rate was 4.50%

As of December 31, 2014, $234,811 remained payable. Future payments are due each year as follows:

Year Ending December 31,	Principal Payments	Interest Payments	Total Payments
2015	$ 45,359	$ 9,639	$ 54,998
2016	47,443	7,555	54,998
2017	49,622	5,376	54,998
2018	51,902	3,096	54,998
2019	40,485	763	41,248
Total	$ 234,811	$ 26,429	$ 261,240

NOTE 9: Long Term Debt

The following is a summary of changes in long-term debt for the period ended December 31, 2014:

	Balance 1/1/2014	Increases	Reductions	Balance 12/31/2014	Non-current Liablities Due Within One Year	Non-current Liablities
Compensated absences	$ 268,641	$ 4,106	$ 0	$ 272,747	$ 0	$ 272,747
Note payable due 9/18	277,861	0	43,050	234,811	45,359	189,452
Bonds payable due 7/28	3,310,000	0	155,000	3,155,000	165,000	2,990,000
Total	$ 3,856,502	$ 4,106	$ 198,050	$ 3,662,558	$ 210,359	$ 3,452,199

NOTE 10: Funds Committed For Specific Purposes

A summary of changes in committed funds for the year ending December 31, 2014 is as follows:

	Balance as of 1/1/2014	Funds Committed (Uncommitted)	Funds Expended	Balance as of 12/31/2014
Funds Committed For:				
General Fund:				
Unemployment	$ 5,190	$ 0	$ 0	$ 5,190
Compensated absences (paid time off)	50,000	0	0	50,000
Building Fund:				
Repair and maintenance - interior	8,115	0	0	8,115
Exterior painting - Cooper Hall	7,056	0	0	7,056
Permanent Fund:				
Endowment	41,327	0	0	41,327
Total	$ 111,688	$ 0	$ 0	$ 111,688

NOTE 11: Nonspendable and Assigned Fund Balances

A summary of the nonspendable and the assigned fund balances as of December 31, 2014 are as follows:

	Nonspendable as of 12/31/2014	Assigned as of 12/31/2014
Fund Balance Description:		
Nonspendable (prepaid items)	$ 5,240	$
Held for permanent endowment	51,000	
Assigned for capital projects		344,270
Assigned for endowment		2,178
Total	$ 56,240	$ 346,448

NOTE 12: Post-employment Benefits

The Library does not provide post-employment health benefits to retirees.

ROGERS MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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	$2,005,195
Amounts reported in the statement of net position are different because:	
• Capital assets are not financial resources, and are not reported in the funds	7,960,172
• Interest expense on the bond liability is not accrued in the funds	(78,393)
• Compensated absences, not anticipated to be paid within the next twelve months, are included as a liability	(272,747)
• Notes payable in future periods are not reported in the funds	(234,811)
• Bonds payable in future periods are not reported in the funds	(3,155,000)
Total Net Position- Full Accrual Basis	$6,224,416

Net Change in Fund Balance- Modified Accrual Basis	$ 121,090
Amounts reported in the statement of activities are different because:	
• Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are expensed over their estimated useful lives as depreciation:	
Capital outlay	124,587
Depreciation expense	(319,803)
• (Increase)/decrease in the accruals for items reported as expenditures in the statements of activities, not in the fund statements:	
Compensated absences	(4,106)
Interest on bonds payable	3,861
• Repayment of principal on the bonds and notes is not an expense in the statement of activities, rather a reduction of the liability	198,050
Change In Net Position- Full Accrual Basis	$ 123,679

ROGERS MEMORIAL LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues:				
Tax Revenues:				
Southampton Union Free School District	$ 3,536,353	$ 3,536,353	$ 3,538,100	$ 1,747
Tuckahoe Common School District	380,460	380,460	380,591	131
Total Tax Revenues	3,916,813	3,916,813	3,918,691	1,878
Gifts, Grants and Aid:				
Gifts and donations	25,000	25,000	82,224	57,224
Local Services Aid	6,800	6,800	3,533	(3,267)
Other State aid	0	0	11,601	11,601
Total Gifts, Grants and Aid	31,800	31,800	97,358	65,558
Interest and Dividend Income:				
Operating			2,145	
Endowment			707	
Total Interest and Dividend Income	7,000	7,000	2,852	(4,148)
Other Operating Revenues:				
Payments in lieu of taxes	9,000	9,000	14,776	5,776
Library fines	32,000	32,000	28,826	(3,174)
Copier and printer fees	6,600	6,600	10,048	3,448
Miscellaneous	100	100	905	805
Total Other Operating Revenues	47,700	47,700	54,555	6,855
Total Revenues	$ 4,003,313	$ 4,003,313	$ 4,073,456	$ 70,143

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

ROGERS MEMORIAL LIBRARY
GENERAL FUND STATEMENT OF REVENUES AND EXPENDITURES
WITH BUDGET ESTIMATES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures:				
Salaries and Employee Benefits:				
Salaries	$ 2,230,500	$ 2,230,500	$ 2,173,016	$ 57,484
Social security	170,633	170,633	157,972	12,661
Retirement	161,200	161,200	168,379	(7,179)
Medical insurance	216,000	216,000	216,595	(595)
Workers compensation insurance	17,000	17,000	18,413	(1,413)
Disability and unemployment insurance	3,400	3,400	3,284	116
Total Salaries and Employee Benefits	2,798,733	2,798,733	2,737,659	61,074
Library Materials:				
Books	206,180	206,180	188,605	17,575
Periodicals	13,700	13,700	16,046	(2,346)
Audio visual - DVD's & CD's	50,000	50,000	39,027	10,973
Software and online services	53,500	53,500	43,780	9,720
Total Library Materials	323,380	323,380	287,458	35,922
Library Operations:				
Office and library supplies	77,900	77,900	71,985	5,915
Equipment rent, repair and maintenance	6,500	6,500	4,482	2,018
Info management services	27,000	27,000	27,556	(556)
Public information	43,000	43,000	40,913	2,087
Budget and trustee vote	6,500	6,500	5,900	600
Telecommunications	34,000	34,000	22,113	11,887
Postage and freight	10,000	10,000	9,318	682
Programs	63,000	63,000	110,847	(47,847)
Payroll processing fees	12,000	12,000	11,126	874
Professional fees	18,000	18,000	16,333	1,667
Membership	5,000	5,000	3,418	1,582
Travel, conference and staff development	22,000	22,000	16,686	5,314
S.C.L.S. basic service plan	37,000	37,000	34,259	2,741
Metropolitan M.T.A. tax	6,500	6,500	2,758	3,742
Miscellaneous	10,200	10,200	8,605	1,595
Total Library Operations	$ 378,600	$ 378,600	$ 386,299	$ (7,699)

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

ROGERS MEMORIAL LIBRARY
GENERAL FUND STATEMENT OF REVENUES AND EXPENDITURES WITH BUDGET ESTIMATES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures: (continued)				
Building Operations:				
Fuel and utilities	$ 126,000	$ 126,000	$ 99,461	$ 26,539
Building service contracts	182,000	182,000	184,695	(2,695)
Insurance	45,200	45,200	35,107	10,093
Repairs and maintenance	25,000	25,000	24,523	477
Custodial supplies	9,500	9,500	9,470	30
Total Building Operations	387,700	387,700	353,256	34,444
Capital and Equipment	14,900	14,900	18,361	(3,461)
Total Expenditures	3,903,313	3,903,313	3,783,033	120,280
Other Financing (Sources)/Uses:				
Transfer to Building Fund	100,000	100,000	100,000	0
Total Expenditures and Other Financing Uses	4,003,313	4,003,313	3,883,033	120,280
Excess (Deficit) Of Revenues Over Expenditures and Other Financing Uses	0	0	190,423	190,423
Budgetary fund balance- beginning of year	896,872	896,872	896,872	896,872
Budgetary Fund Balance- End Of Year	$ 896,872	$ 896,872	$ 1,087,295	$ 1,087,295

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

ROGERS MEMORIAL LIBRARY
BUILDING FUND SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014

Revenues:		
Tax revenues	$ 321,530	
Dividends and interest income	1,687	
Realized and unrealized gain (loss) on investments	(114)	
Total Revenues		$ 323,103
Expenditures:		
HVAC repairs	11,350	
Capital outlay - carpeting	6,866	
Capital outlay - fencing	8,980	
Capital outlay - roof replacement	90,380	
Principal - DASNY bonds payable	155,000	
Interest - DASNY bonds payable	162,194	
Principal - Cooper Hall loan payable	43,050	
Interest - Cooper Hall loan payable	12,300	
Bond finance and bank fees	2,316	
Total Expenditures		492,436
Excess Of Revenues Over (Under) Expenditures		(169,333)
Other Financing Sources (Uses):		
Transfer from General Fund - Cooper Hall budget	100,000	
Total Other Financing Sources (Uses)		100,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures		$ (69,333)

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

ROGERS MEMORIAL LIBRARY
PERMANENT FUND SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014

Revenues:		
Bequests, gifts and donations		$ 0
Interest and dividend income	$ 707	
Less amount transferred to General Fund	(707)	0
Total Revenues		0
Expenditures		0
Excess Of Revenues Over (Under) Expenditures		0
Other Financing Sources/Uses:		
Transfer to Building Fund		0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures		$ 0

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

CERTAIN FINANCIAL AND ECONOMIC INFORMATION ON SMITHTOWN SPECIAL LIBRARY DISTRICT

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CERTAIN FINANCIAL AND ECONOMIC INFORMATION ON SMITHTOWN SPECIAL LIBRARY DISTRICT

GENERAL INFORMATION

Introduction

The Smithtown Special Library District is an independent special library district chartered by the Board of Regents of the State of New York to serve the residents of the Town of Smithtown, New York (the "Town") excluding areas served by the Sachem Public Library and the Emma S. Clark Memorial Library. The Library District is located in the Town. The Library operates a main library at 1 North Country Road in Smithtown, as well as three branch libraries in Commack, Kings Park and Nesconset. The Library is Long Island's largest library in terms of population and the second largest in terms of square miles served at 53.9.

The Library was chartered as an Association Library in 1911 and the Library's first permanent building opened on August 12, 1912. That building was moved to its present location in 1950. In 1952, the Library was re-chartered as a municipal library. Chapter 193 of the Laws of 2001 authorized the independent establishment of a special public library district, subject to referendum. On November 6, 2001, Town residents voted in a town-wide referendum to establish the Smithtown Special Library District. Accordingly, the Library operates as an independent tax district. On April 30, 2002, the Library held its first budget vote and trustee election.

The Library offers Town residents a full program of public library services. In addition to traditional resources, the Library has integrated modern technologies into every aspect of its services. The Library is also noted for its wide range of adult, young adult and children's programming and an outstanding electronic media collection. The Library is designated as a United States Patent and Trademark Resource Center. This resource is located at the main Smithtown building supported by certified staff. The Library serves approximately 113,804 Town residents including the hamlets of Commack, Fort Salonga, Hauppauge, Kings Park, Nesconset, Saint James and Smithtown and the incorporated villages of the Branch, Head of the Harbor and Nissequogue. In addition, community, cultural, and civic groups meet regularly at the Library. The Library and its branches are open to the public for, on average, 60 hours per week.

The Library is one of 56 member libraries in the Suffolk Cooperative Library System, an organization staffed by a full-time professional staff. The Suffolk Cooperative Library System provides centralized administrative, planning and support services County-wide, including an advanced data processing network linking all member libraries and enhancing their inter-library loan programs.

The Series 2016 Bonds are not a debt of the State, Suffolk County, New York (the "County") or the Town, nor is the State, the County or the Town liable thereon.

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Governance and Administration

The Library is governed by a Board of Trustees ("the Board") consisting of seven members, all of whom are elected by the residents of the Library District. Any resident of the Library District who is 18 years of age or older and a qualified voter of the Town otherwise qualified to vote at a general Town election is eligible to run for election to the Board. Board members are elected for staggered three-year terms. The Board meets twelve times a year, or more frequently as required. The present members of the Board are:

Name	Principal Occupation	Term Expires
John C. Martins, *President*	Project Vice President	2018
Otis Thornhill, *Vice President*	Self-employed Business Manager	2017
Joseph Vallone, Trustee	Insurance (Retired)	2016
Gerard J. Cairns, Trustee	School Administrator	2016
Suzanne Mohr, Trustee	Business Owner	2018
Diana Schilling-Held, Trustee	Executive Sales Representative	2016
Rudy Zientarski, Trustee	Teacher (Retired)	2017

Robert Lusak has served as the Library Director since September, 2006. As Director, Mr. Lusak supervises the day-to-day operations of the Library and acts as chief administrative officer of the Library, as liaison to the Board, and as director of all duties pertaining to library and financial operations. Prior to his term as Director, Mr. Lusak was the Director of the Babylon Public Library. Mr. Lusak is a graduate of St. Bonaventure University (B.A., 1987) and holds a Masters in Library Science from Long Island University at CW Post (M.L.S., 1993). He holds a Public Librarian Certificate from the New York State Education Department.

M. Suzanne McManus has served as Assistant Director of the Library since 2010 and is Building Manager at the Commack Branch. She is also responsible for handling all library-wide patron issues. Ms. McManus has been employed at the Smithtown Library for over thirty years in a variety of professional capacities. She is a graduate of SUNY Stony Brook (B.A., 1978) and the Palmer School of Library and Information Science at Long Island University (M.L.S., 1986) and holds a Public Librarian Certificate from the New York State Education Department.

Patricia Thomson has served as Assistant Director of the Library since 2014 and is Building Manager at the Nesconset Branch. She is also responsible for managing all library-wide building issues including supervising IT (Information Technology) operations. Ms. Thomson is a graduate of SUNY Geneseo (B.A., 1994) and holds a Degree in Library Science from CUNY Queens College (M.L.S., 1995) as well as a Public Librarian Certificate from the New York State Education Department.

Joanne Thomas Grove was appointed Treasurer/Administrator in March 2002. Ms. Grove is responsible for the day-to-day financial operations and contract management of the Library. She is a graduate of Babson College (B.S., 1977) and holds a Masters in Management from SUNY at Stony Brook (M.S., 1985).

Service Area

The Library serves the area coterminous with that of the Town, except for small portions covered by the Sachem Public Library of Sachem Central School District and the Emma S. Clark Memorial Library of the Three Village School District. The Library District's taxing power is conterminous with this service area.

The Town is located in the north central section of Long Island, about 45 miles from New York City, and has a land area of approximately 54 square miles. The Town of Huntington borders on the west, the Town of Brookhaven borders on the east, and the Town of Islip borders on the south. Three incorporated villages are situated within the Town (The Branch, Head of the Harbor and Nissequogue), as well as a number of larger unincorporated communities including Smithtown, Kings Park, Ft. Salonga, St. James and Nesconset, and sections of both Commack and Hauppauge.

There are several large shopping centers in the Town, including one of Long Island's largest retail centers, the Smithhaven Mall, which is situated on the Smithtown-Brookhaven border. The Smithhaven Mall occupies 102 acres (part in each town), has over 150 stores including Macy's and Sears Roebuck, and has mall areas completely enclosed for year-round shopping comfort. The Smithhaven Mall completed a major expansion and renovation which includes the addition of several new major retail outlets. Another large shopping complex located in Commack is anchored by a Target Department Store, Home Depot Expo and Costco.

There is one hospital within the Town, St. Catherine of Siena, located on Route 25A in Smithtown. The hospital, with a bed capacity of 366, has modern medical facilities containing diagnostic and therapeutic equipment for complete medical, surgical, obstetrical and pediatric care.

The Town operates a number of beaches, parks and playgrounds. In addition, there are five private country clubs, as well as four private yacht clubs and marinas. The Town operates the Paul J. Fitzpatrick Smithtown Landing Country Club (the "Club") which is one of the few remaining large tracts of land on the north shore of Long Island. The Club provides three swimming pools, tennis courts and open space as well as two golf courses, pro shop, restaurant, snack bars and numerous meeting rooms and dining rooms. Senior citizens use the facilities extensively at special rates, and meet there regularly.

Six independently governed school districts are located wholly or partially within the Town which rely on their own taxing powers granted by the State to raise revenues. The school districts use the Town's assessment roll as their basis for taxation of property located within the Town.

The Town maintains its own interior road network. New York State Highways No. 25 (Jericho Turnpike), 25A (North Country Road) and Veterans Memorial Highway are major commercial east-west travel routes. In addition, the Long Island Expressway and Northern State Parkway cross the Town in its southwestern sector. Air travel is provided for the residents of the Town at the Long Island MacArthur Airport, located nearby in Islip, which is served by several scheduled airlines with flights throughout the northeast and Florida. The Long Island Rail Road stops at three stations within the Town: Kings Park, Smithtown, and St. James.

Real Property Taxes

Funding for the operations of the Library is primarily derived from real property taxes levied by the Town on behalf of the Library. The Town derives its power to levy an ad valorem real property tax on behalf of the Library from the State Constitution, Chapter 193 of the Laws of 2001, the State Education Law and the State Real Property Tax Law. The Real Property Tax Law and Suffolk County Tax Act govern the methods and procedures to levy, collect and enforce this tax. The Town prepares real property assessment rolls to levy the Library tax, and in conjunction with the State Board of Real Property Services, determines assessment valuations. In addition, the State Board of Real Property Services annually establishes equalization rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain state aid and are used by many localities in the calculation of debt contracting and real property tax limitations.

Property Tax Cap Law

Chapter 414 of the Laws of 1995 governs the methodology by which a special district library can cause the levy of a tax, or an increase thereof, on its behalf by a municipality or school district. However, on June 24, 2011, the Property Tax Cap Law, as written in Chapter 97 of the State Laws of 2011, was signed into law. The Property Tax Cap Law establishes a limit on the annual growth of property taxes levied by local governments. It does not specifically mention libraries; however, guidance issued by the office of the State Comptroller and jointly by the State Department of Taxation and Finance and the State Department of State indicates that it is intended to cover libraries. It applies for any fiscal year commencing after January 1, 2012. The power of local governments to levy real property taxes on all taxable real property within their boundaries without limitation as to rate or amount is subject to statutory limitations pursuant to formulae set forth in the Property Tax Cap Law. The Property Tax Cap Law restricts the increase in the amount of the succeeding year's tax levy to no more than the lesser of 2% of the prior year's tax levy or an inflation rate as computed under the Property Tax Cap Law, with limited exceptions.

The Property Tax Cap Law does not explicitly address how special district libraries (such as the Library) will be treated, i.e., as a part of a school district or local government or as its own local government. However, the guidance noted above indicates that the tax levy of a special district that has a separate independent elected board and has the authority to levy a tax or can require a municipality or school district to levy a tax on its behalf is subject to the tax levy limit. Further, to the extent that the budget of a special district, such as a library district, is comprised of revenues generated by its own taxing authority or a tax levy of another government that the local government or school district is required to impose on behalf of the special district, those tax revenues are believed to fall within the tax levy limit of the special district.

This interpretation means that special district libraries, like the Library, have their own, separate tax cap, and that the mechanism to exceed the tax cap is the same as for local government. To exceed the tax cap, the Property Tax Cap Law requires a library board to pass a vote by a 60% margin of trustees, then bring the proposal to a public vote. If the public approves the proposal by a simple majority (more than 50%), only then may the tax cap be exceeded.

The Library's budgets for the fiscal year beginning January 1, 2015 and January 1, 2016 did not exceed the 2% tax cap limit. The qualified voters in the Library District approved said budgets by an approval rate of 67.9 % and 74.9 %, respectively.

Tax Collection Procedure

The Board of Trustees of the Library establishes, with voter approval, any increases to the tax levy the Library requires to fund its annual operating budget. Once approved by the voters, the annual tax levy for library taxes cannot change from year to year unless it is affirmatively increased or decreased by the voters of the Library District.

The Town collects taxes in two installments. The first half is due December 1st of the preceding fiscal year and payable until January 10th without penalty, or full tax payment can be made at this time. Second half taxes are due May 10th each year and are payable to May 31st, without penalty. After January 10th, 1% per month is added to first half taxes. After May 31st, when the rolls are turned over to the County, all taxes are payable to the County Treasurer with an additional penalty to the date of payment. Tax sales are held annually by the County. The Library receives its full levy from the Town between January and June of the Library's fiscal year. Uncollected amounts and any deficiency in tax collection are the liability of Suffolk County, which has the power to relevy, lien upon, and sell delinquent properties to recoup its liability.

There are no uncollected items at the close of the fiscal year. The Receiver of Taxes of the Town (the "Town Receiver") collects the County tax as well as the General Town, Town Highway, School and Special District levies. Before the tax rolls are returned to the County at the end of the tax period, (May 31st), the Town Receiver pays in full to the Town, the General Town, Town Highway, School and Special District levies. Any uncollected items are deducted from the amount returned to the County and the County assumes the responsibility for obtaining payment.

Library Budget

The Library's fiscal year extends from January 1st to December 31st. In the summer of the preceding calendar year, the budget is developed by the Library Director with input from the Assistant Directors and Treasurer. The Library Board then refines the proposed budget prior to submission to the public. Under New York State Education Law, only changes to the Library tax levy are submitted to the voters of the Library. The 2015 proposed operating budget was approved by Library voters on October 14, 2014 and the 2016 budget was approved by Library District voters on October 13, 2015. A summary of the Library budgets for 2015 and 2016 are included below.

Budget Summaries

	Fiscal Years Ending Dec 31	
	2015	**2016**
Revenues:		
Tax Revenues	$13,382,435	$13,549,672
Library Charges	111,225	105,925
Interest	20,000	17,000
State Aid	30,000	30,000
Miscellaneous	2,800	2,800
Appropriated Fund Balance	597,010	437,860
Total Revenues	$14,143,470	$14,143,257
Expenditures:		
Salaries	$ 6,770,000	$ 6,696,000
Benefits	3,709,732	3,692,745
Materials	701,300	733,800
Operations	544,000	552,500
Other	701,000	748,500
Debt Service	1,717,338	1,719,712
Total Expenditures	$14,143,470	$14,143,257

Insurance

The Library maintains a comprehensive package of insurance coverage. The policy coverage (both its limits and policy scope) is periodically evaluated to assure the appropriate coverage is maintained based upon replacement value of existing physical library structures and an analysis of potential liabilities. At the present time, the Library has $25,763,500 in aggregate coverage on real and personal property, $10,182,219 valuable papers coverage, $100,000 fine arts coverage, $11,000,000 (aggregate) in liability coverage, $11,000,000 (aggregate) in director and officers' liability coverage, $500,000 (aggregate) in worker's compensation coverage, $250,000 in employee dishonesty coverage, and $1,000,000 in electronic data processing coverage. There is also a $1,000,000 Treasurer's Bond.

Employees

The Library currently employs approximately 65 full-time and 96 part-time individuals, all under the supervision of the Library Director, of whom 54 are professionals with Masters Degrees in Library Science. The remaining staff consists of administrative, clerical, page and maintenance staff. The Library staff is organized in a bargaining unit represented by CSEA. The Library has a history of satisfactory relations with its employees.

Employee Pension System

Certain Library employees are eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York and are members of the New York State and Local Employee's Retirement System ("ERS"). The ERS is noncontributory with respect to members hired prior to July 1, 1976. All members of the respective systems who were hired on or after July 1, 1976 and before December 31, 2009, with less than 10 year's full-time service, contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, then Governor Paterson signed into law a new Tier 5. The law is effective for new ERS employees hired after January 1, 2010. New ERS employees now contribute 3% of their salaries. There is no provision for these contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law the new Tier 6 pension program, effective for new ERS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees vest in the system after ten years of employment and are required to make employee contributions throughout employment.

The Library's required contribution for a given fiscal year is based on the value of the pension fund on the prior April 1. The Library is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible, each year on February 1st.

To help reduce budgetary volatility due to changes in employee contributions, State law permits the Library to amortize a portion of such contributions. The Library had elected to amortize contributions in the years 2014 and 2015. By resolution, the full 2016 contribution was paid in December 2015. The Library does not expect to amortize this bill in the foreseeable future as the numbers of employees in earlier Tiers have now retired and the contribution bill has decreased accordingly.

The following chart represents the ERS contributions for each of the last five completed fiscal years.

Fiscal Year Ending	ERS Contribution
2011	$ 738,169
2012	1,093,244
2013	917,969
2014	880,269
2015	1,080,989

The Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68") revises and establishes new financial reporting requirements for the Library beginning with its fiscal year ended December 31, 2015.

GASB 68 requires the Library to recognize its long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. As determined by the Office of the State Comptroller for the New York State and Local Retirement System, as of December 31, 2014, the Library's net pension liability was $970,687 and for the fiscal year ending December 31, 2015, the Library's net pension liability was $725,674.

Other Post Employment Benefits

The Library provides post-employment healthcare benefits to various categories of former employees. GASB Statement No. 45 ("GASB 45") requires the Library to account for and report its costs associated with post-employment healthcare benefits and other non-pension benefits ("OPEB"). The Library's financial statements are prepared and audited using GASB rather than Financial Accounting Standards Board guidelines of generally accepted accounting principles. GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions.

GASB 45 requires that the Library adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers are based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") is determined for the Library. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If the Library contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the Library account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation is required every three years for the Library.

As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability ("AAL"), the portion of the actuarial present value of the total future benefits based on the employees' service rendered to the measurement date, was approximately $17.5 million. The actuarial value of the Plan's assets was $0, resulting in an unfunded actuarial accrued liability ("UAAL") of $17.5 million. For the fiscal year ending December 31, 2014, the Library's annual OPEB cost was $1,481,407 and the ARC was $1,499,811. The Library is on a pay-as-you-go funding basis and paid $892,829 for the fiscal year ending December 31, 2014 resulting in a projected year-end Net OPEB obligation of $3,405,863.

Should the Library be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Library's finances and could force the Library to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the Library to partially fund its actuarial accrued OPEB liability. The Library continues funding the expenditure on a pay-as-you-go basis.

ANNUAL FINANCIAL STATEMENT INFORMATION

The Library's financial statements for the fiscal years ending December 31, 2014 and December 31, 2013, audited by Baldessari & Coster, LLP, Certified Public Accountants, are included at the end of this Appendix B3. Financial information of the type that follows is expected to be provided by the Library annually via the filing of the Library's annual financial statements in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Revenues and Expenditures

The Library receives most of its revenue from a real property tax levied by the Town on all non-exempt real property situated within the Library District.

The revenues and expenses of the Library are determined by the annual operating budget proposed by the Board and voted upon by the residents of the Town annually. The fiscal management of the Library is governed according to each annual operating budget. The Board is responsible for oversight of the Library's management control and disbursement of funds and maintenance of assets. The Library's management is responsible for day-to-day operations. The Library's budget is created on good faith estimates of revenues and expenses, which estimates may be inaccurate.

In addition to the annual operating budget vote, the residents of the Library can authorize a tax to be levied annually to cover maximum annual debt service on a capital project of the Library up to a set maximum annual amount.

Below is a summary of the Library's unrestricted revenues and expenses for last five fiscal years.

Summary of General Fund Revenues and Expenditures

	Fiscal Years Ending:				
	Dec 31, 2010	**Dec 31, 2011**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2014**
Revenues:					
Tax revenues	$12,351,402	$12,289,899	$12,504,487	$12,839,001	$13,146,533
Library charges, fines & fees	111,519	103,541	94,249	113,226	101,041
Use of Money & Property	28,855	23,966	31,368	23,837	17,752
New York State Aid	30,790	37,073	29,731	57,776	42,865
Miscellaneous income	57,040	46,981	51,415	60,440	2,806
Total Revenues	$12,579,606	$12,501,460	$12,711,250	$13,094,280	$13,310,997
Expenses:					
Salaries	$ 5,564,248	$ 5,381,949	5,820,572	6,570,163	$7,000,656
Equipment & Capital Outlay	56,151	92,912	94,841	67,054	87,353
Contractual and Other Expenses	1,797,640	1,701,481	1,659,419	1,785,119	1,746,673
Employee Benefits	2,338,955	2,672,190	3,089,116	3,102,721	3,168,224
Debt Service - Principal	22,567	23,696	24,880	-	-
Debt Service - Interest	2,484	5,355	4,171	-	-
Total Expenses	$ 9,793,561	$ 9,877,583	$10,692,999	$11,525,057	$12,002,906
Excess (deficiency) of revenues over expenses	$ 2,793,561	$ 2,623,877	$ 2,018,251	$ 1,569,223	$ 1,308,091
Operating Transfers*	(1,730,023)	(1,717,680)	(4,217,313)	(1,924,669)	(1,784,537)
Net Change in Fund Balance	$ 1,063,538	$ 906,197	$(2,199,062)	$ (355,446)	$ (476,446)

Fund Balances

The table below presents the accumulated liquid funds held in the General Fund for each of the fiscal years ending December 31, 2010 through December 31, 2014. The table was prepared from the Library's accounting records, which are maintained on the basis of accounting practices as prescribed by the Uniform System of Accounts for Library Systems mandated by the State of New York. The Assigned Fund Balance was designated for the construction project in addition to proceeds of the Series 2008 Smithtown Bonds.

In accordance with these principles, the Library maintains a General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund. In addition, the Library maintains a General Fixed Asset Group of Accounts which are used to record fixed assets not recorded in the asset and liability account of other funds.

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* Operating Transfers include debt service and transfers for capital projects.

General Fund - Balance Sheet

	Fiscal Years Ending				
	Dec 31, 2010	**Dec 31, 2011**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2014**
Assets:					
Cash	$5,026,136	$6,093,487	$3,723,843	$3,447,890	$3,039,865
Accounts Receivable	34,337	3,622	3,492	22,428	37,723
Due from Other Funds			6,289		
Due from Other Governments	31,677	2,751			
Other Prepaid Expenses	139,410	185,656	241,418	235,029	201,318
Total Assets	$5,231,560	$6,285,516	$3,975,042	$3,705,347	$3,278,906
Liabilities:					
Accounts Payable	$ 154,047	$ 116,822	$ 185,448	$ 102,805	$ 121,220
Accrued Liabilities	53,983	49,363	66,902	223,814	252,340
Due to Other Funds	45,672	55,582	56,712	62,692	71,774
Collections in Advance				640	
Deferred Revenues	79,465	259,159	60,452	65,314	59,936
Total Liabilities	$ 333,167	$ 480,926	$ 369,514	$ 446,265	$ 505,270
Fund Balances:					
Nonspendable		185,656	241,418	235,029	201,318
Restricted	583				
Assigned	2,061,000	2,500,000	300,000	686,830	623,397
Unassigned	2,836,810	3,118,934	3,064,110	2,328,223	1,948,921
Total Fund Balance	$4,898,393	$5,804,590	$3,605,528	$3,250,082	$2,773,636
Total Liabilities and Fund Balance	$5,231,560	$6,285,516	$3,975,042	$3,705,347	$3,278,906

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OPERATING DATA

Funding for the operations of the Library is primarily derived from real property taxes levied by the Town on behalf of the Library on all non-exempt real property located within the Town. The following information summarizes the tax base upon which the Library is dependent for funding.

Valuations, Tax Rates and Levies

A summary of valuations and tax rates for the past five years for the Library District is provided below:

Summary of Valuations

Tax Year Ending Dec. 31	Assessed Value of Taxable Real Property	State Equalization Rate	Full Valuation
2012	$255,056,906	1.33%	$19,177,210,977
2013	254,005,180	1.37	18,540,524,088
2014	252,773,019	1.37	18,450,585,328
2015	251,917,666	1.37	18,388,150,803
2016	250,950,978	1.30	19,303,921,385

Tax Rates per $1,000 of Assessed Valuation

Year	Library Tax
2012	$48.60
2013	50.14
2014	51.51
2015	52.70
2016	53.49

Source: Tax Rate Sheets from the Town of Smithtown.

Property Tax Revenue

Fiscal Year Ended	Total Revenues	Real Property Taxes	Real Property Taxes as a Percentage of Total Revenues
December 31, 2010	$12,579,606	$12,242,840	97.32%
December 31, 2011	12,501,460	12,182,798	97.45
December 31, 2012	12,711,250	12,394,470	97.51
December 31, 2013	13,094,280	12,735,318	97.26
December 31, 2014	13,310,997	13,022,657	97.83
December 31, 2015	13,546,460	13,277,435	98.01
December 31, 2016*	14,143,257	13,439,672	95.02

Source: Audited Financial Statements and adopted budgets of Smithtown Public Library. Fiscal Year 2015and 2016 are budgeted numbers. Total revenues do not include appropriation of fund balance.

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* Budgeted

Selected Listing of Largest Taxable Properties

The following is a listing of the ten largest taxable properties in the Town for 2014-2015:

Largest Taxable Properties

Name	Type	Assessed Value
Smithtown Galleria Assoc	Apartments	$ 730,000
LIPA	Utility	638,725
Arlona LTD Partnership	Shopping Center	507,620
Commack Marketing	Shopping Center	492,280
Mall @ Smith Haven LLC	Shopping Mall	472,303
Commack Shopping Center	Shopping Center	468,000
RA 150 Motor Parkway	Office Building	400,000
LIPA	Utility	353,880
LIPA	Utility	348,735
Home Box Office	Media	338,000
		$4,749,543

Source: Town of Smithtown Department of Assessment

The total assessed value of the largest taxable properties listed above represents 1.89% of the Assessed Valuation for the Town.

Economic and Demographic Information

The following table sets forth population statistics for the Town, County and the State of New York.

Population Trends

Year	Town of Smithtown	Suffolk County	New York State
1980	116,663	1,284,231	17,558,072
1990	113,406	1,321,864	17,990,455
2000	115,715	1,419,369	18,976,457
2010	117,801	1,493,350	19,378,102
2013	118,057	1,502,953	19,695,680

Source: U.S. Census Bureau

Selected Wealth and Income Indicators

Per Capita Income

	2000	2010	% Change
Town of Smithtown	$31,401	$41,847	33.35%
Suffolk County	26,577	35,755	34.53
New York State	23,389	30,948	32.31

Source: U.S. Department of Commerce, Bureau of the Census

Family Median Income – For the Year 2010
Income Groups - % of Families

	Median Income	Under $25,000	$25,000-49,999	$50,000-74,999	$75,000-99,999	$100,000 or more
Town of Smithtown	$117,427	2.8%	9.5%	12.0%	14.8%	60.9%
Suffolk County	84,506	11.7	15.3	16.8	15.2	41.0
New York State	55,603	23.4	22.0	17.4	12.2	25.1

Source: U.S. Department of Commerce, Bureau of the Census

Unemployment Rate Statistics

Unemployment statistics are not available for the Library as such. The smallest area for which such statistics are available (which includes the Library) is the Town.

Year	Town of Smithtown	Suffolk County	New York State
2011	6.2%	7.3%	8.0%
2012	6.6	7.8	8.6
2013	5.6	6.5	7.7
2014	4.5	5.3	6.4
2015*	4.2	4.8	5.4

Source: Department of Labor, State of New York.

LITIGATION

There are no suits pending or, to the knowledge of the officers of the Library and members of the Board, threatened against the Library wherein an unfavorable result would have a material adverse effect on the financial condition of the Library or impair the levy and collection of ad valorem taxes.

* 10 Months

SMITHTOWN SPECIAL LIBRARY DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT

December 31, 2014

SMITHTOWN SPECIAL LIBRARY DISTRICT
TABLE OF CONTENTS

BALDESSARI & COSTER LLP
Certified Public Accountants
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MEMBERS OF
THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Smithtown Special Library District
Smithtown, New York

We have audited the accompanying basic financial statements of the Smithtown Special Library District as of and for the year ended December 31, 2014, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Smithtown Special Library District, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress – other postemployment benefits on pages 3 through 12 and 34 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baldessari & Coster LLP

Certified Public Accountants
Stewart Manor, New York
May 18, 2015

This section of the Smithtown Special Library District (the "Library") annual financial report presents management's discussion and analysis of the Library's financial performance during the fiscal year ended December 31, 2014. This information should be read in conjunction with the financial statements.

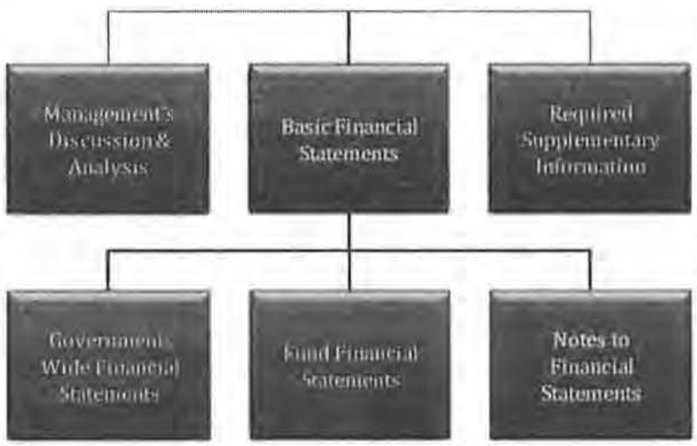
1. FINANCIAL HIGHLIGHTS

Key financial highlights of the Library's 2014 basic financial statements are as follows:

- The Library's net position was $4,750,932 at December 31, 2014. This balance represents a decrease of approximately $1,341,000 compared to the prior year.
- Unrestricted net position, which represents the portion of fund balance available to maintain the Library's continuing obligations to its taxpayers, customers, and creditors, decreased approximately $1,459,000.
- The Library's general fund – fund balance was $2,773,636 at December 31, 2014. This balance represents a decrease of approximately $476,000.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (MD&A), the basic financial statements and required supplementary information other than MD&A. The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



A. Government-Wide Financial Statements

The government-wide financial statements are organized to provide an understanding of the fiscal performance of the Library as a whole in a manner similar to a private sector business. There are two government-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the Library's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the Library's assets and liabilities and deferred inflows, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the Library's funds, not the Library as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the Library are reported in the governmental funds.

Governmental Funds

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the Library's operations and the services it provides.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, you may better understand the long-term impact of the Library's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains four governmental funds, the general fund, miscellaneous revenue fund, debt service fund and the capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

3. FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

A. Net Position

The Library's total net position decreased by $1,340,730 between fiscal year 2014 and 2013. A summary of the Library's Statement of Net Position is as follows:

	2014	2013	Increase (Decrease)	Percentage Change
Current and Other Assets	$ 3,841,532	$ 4,395,446	$ (553,914)	(12.60)%
Capital Assets, Net	24,348,632	25,025,304	(676,672)	(2.70)%
Total Assets	28,190,164	29,420,750	(1,230,586)	(4.18)%
Current and Other Liabilities	835,104	880,999	(45,895)	(5.21)%
Long-Term Liabilities	18,451,411	19,271,382	(819,971)	(4.25)%
Due to Employees' Retirement System	686,918	294,108	392,810	133.56 %
Net Other Postemployment Benefits Obligation	3,405,863	2,817,285	588,578	20.89 %
Total Liabilities	23,379,296	23,263,774	115,522	0.50 %
Deferred Inflows of Resources	59,936	65,314	(5,378)	(8.23)%
Net Position				
Net Investment in Capital Assets	7,693,632	7,575,304	118,328	1.56 %
Restricted	90,444	90,279	165	0.18 %
Unrestricted (deficit)	(3,033,144)	(1,573,921)	(1,459,223)	92.71 %
Total Net Position	$ 4,750,932	$ 6,091,662	$ (1,340,730)	(22.01)%

Current and other assets decreased by $553,914, as compared to the prior year and primarily reflects a decrease in the Library's cash balances.

Capital assets, net decreased by $676,672, as compared to the prior year. This decrease is due to depreciation expense in excess of current year additions. The accompanying Notes to Financial Statements, Note 5 "Capital Assets" provides additional information.

Current and other liabilities decreased by $45,895 as compared to the prior year. The decrease is primarily due to the normal fluctuation in account balances.

Long-term liabilities decreased by $819,971 as compared to the prior year. This decrease is primarily due to the payment of bonds.

Due to employees' retirement system increased $392,810. The Library elected to amortize a portion of the current year's contribution pursuant to Chapter 57 of the Laws of 2010 of New York State resulting in a $441,578 increase to the liability. Additionally, the Library recognized an expense of $48,768 related to the amortization of prior years' retirement incentives. The accompanying Notes to financial Statements, Note 8, "Pension Plans" provides additional information.

Net other postemployment benefits obligation (OPEB) increased $588,578 as the current year actuarially calculated contribution exceeded the actual contributions. The accompanying Notes to Financial Statements, Note 9 "Postemployment Benefits" provides additional information.

Deferred inflows of resources are resources associated with imposed non-exchange revenue transactions, i.e., real property taxes, received before the period for which they were earned.

The net investment in capital assets relates to the investment in capital assets at cost such as land; art collection; buildings; improvements other than buildings; permanent fixtures; and, furniture and equipment, net of depreciation and related debt.

The restricted component of net position in the amount of $90,444 relates to the Library's reserves for debt and special programs and projects. The increase in restricted net position is primarily due to an increase in resources for special programs.

The unrestricted component of net position is a deficit in the amount of $(3,033,144) and is the balance of the Library's net position. The deficit increased from the prior year by $1,459,223. The Library's assets are not sufficient to cover unfunded liabilities such as net other postemployment benefits. Currently there is no provision in the law to permit the Library to fund OPEB by any means other than the "pay as you go" method.

The Library's total net position decreased by $1,340,730 or 22.01%; $4,750,932 at December 31, 2014, compared to $6,091,662 at December 31, 2013.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in the accompanying financial statements. A summary of this statement for the years ended December 31, 2014 and 2013 follows:

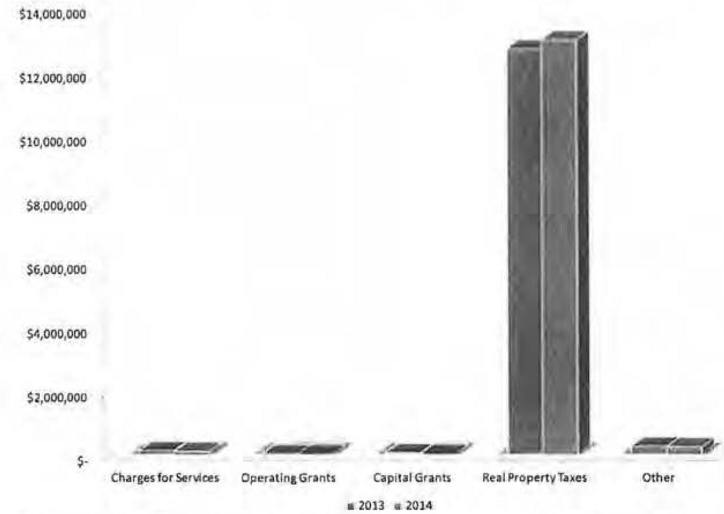
	2014	2013	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for services	$ 102,641	$ 113,436	$ (10,795)	(9.52)%
Operating grants	2,910	7,372	(4,462)	(60.53)%
Capital grants		40,000	(40,000)	(100.00)%
General Revenues				
Real Property Taxes	13,022,657	12,735,318	287,339	2.26 %
Other	237,961	246,880	(8,919)	(3.61)%
Total Revenues	13,366,169	13,143,006	223,163	1.70 %
Expenses				
Personal services	7,000,656	6,570,163	430,493	6.55 %
Employee benefits	4,151,034	4,152,384	(1,350)	(0.03)%
Contractual and other	1,692,964	1,789,647	(96,683)	(5.40)%
Depreciation	964,648	950,038	14,610	1.54 %
Debt Service - Interest	897,597	927,448	(29,851)	(3.22)%
Total Expenses	14,706,899	14,389,680	317,219	2.20 %
Increase (Decrease) in Net Position	$ (1,340,730)	$ (1,246,674)	$ (94,056)	7.54 %

The Library's net position decreased by $1,340,730 and $1,246,674 for the years ended December 31, 2014 and 2013, respectively.

The Library's revenues increased by $223,163 or 1.70%. The increase was due to an increase in property taxes.

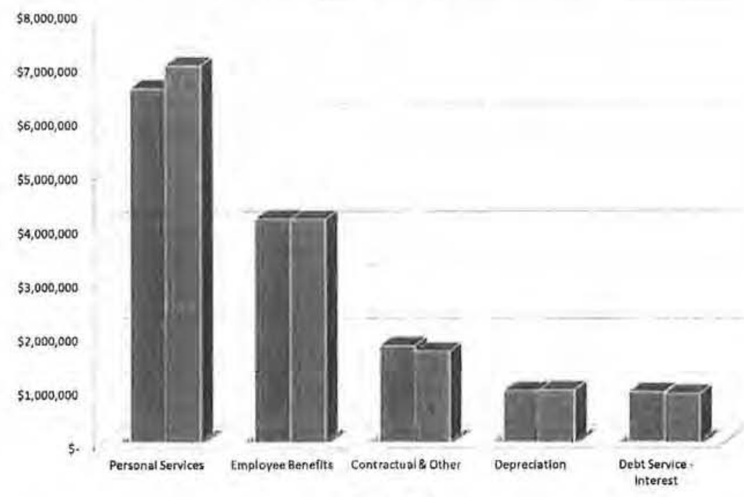
Expenses increased $317,219 or 2.20%, primarily due to increase in personal services net of reductions in other areas. The Library offered a retirement/separation incentive in 2014 and seven employees took the incentive. Staffing gaps were also addressed contributing to the increase in personal services costs.

A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Capital Grants	Real Property Taxes	Other
2013	0.9%	0.1%	0.3%	96.9%	1.8%
2014	0.8%	0.0%	0.0%	97.4%	1.8%

A graphic display of the distribution of expenses for the two years follows:



	Personal Services	Employee Benefits	Contractual & Other	Depreciation	Debt Service - Interest
2013	45.7%	28.9%	12.4%	6.6%	6.4%
2014	47.6%	28.2%	11.5%	6.6%	6.1%

4. FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

At December 31, 2014, the Library's governmental funds reported a combined fund balance of $2,946,492, a decrease of $502,641. A summary of the change in fund balance by fund is as follows:

	2014	2013	Increase (Decrease)	Percentage Change
General Fund				
Nonspendable: Prepaids	$ 201,318	$ 235,029	$ (33,711)	(14.34)%
Assigned:				
Appropriated fund balance	597,010	545,843	51,167	9.37 %
Encumbrances	1,736	20,987	(19,251)	(91.73)%
Capital projects	24,651	120,000	(95,349)	(79.46)%
Unassigned: Fund Balance	1,948,921	2,328,223	(379,302)	(16.29)%
	2,773,636	3,250,082	(476,446)	(14.66)%
Miscellaneous Revenue Fund				
Restricted: Special programs & projects	53,930	52,984	946	1.79 %
Debt Service Fund				
Restricted: Debt service	36,514	37,295	(781)	(2.09)%
Capital Projects Fund				
Assigned: Unappropriated	82,412	108,772	(26,360)	(24.23)%
Total Fund Balance	$ 2,946,492	$ 3,449,133	$ (502,641)	(14.57)%

A. General Fund

The general fund-fund balance decreased $476,446 in 2014, compared to a decrease of $355,446 in 2013. Total expenditures and other financing uses of $13,787,443 exceeded revenues of $13,310,997.

Revenues increased approximately $216,700 compared to the prior year. The increase is primarily due to the increase in property taxes.

Total expenditures increased approximately $337,700 compared to the prior year. Salaries increased approximately $430,500. This increase was offset by the decrease in interfund transfers of approximately $140,100.

During the year, the Library elected to defer to future years approximately $441,578 of the current year's Employees' Retirement System contribution. Had the Library not made the election, the deficit would have been that much higher.

The operating deficit was planned and the financial results are being monitored by the Board of Trustees and management. The Library cannot continue to operate at a deficit in the long-term and, as such, some combination of additional revenues and expenditure reductions will be made so that the Library can reduce the use of fund balance to fund future budgets.

B. Miscellaneous Revenue Fund

The miscellaneous revenue fund-fund balance increased from the prior year as current year revenues exceeded current year expenditures.

C. Debt Service Fund

The debt service fund is used to account for the accumulation of resources and the payment of principal and interest on bonds. The debt service fund-fund balance is the result of transfers and interest earnings on bond proceeds exceeding the bond principal and interest payments.

D. Capital Projects Fund

The capital projects fund total fund balance decreased $26,360.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2014 Budget

The general fund budget for 2014 was $13,841,683. This was an increase of $520,115 (3.90%) over the 2013 budget. This amount was increased by encumbrances carried forward from the prior year in the amount of $20,987. The budget was revised to provide for the transfer of funds designated for capital projects in the amount of $65,549 and for general fund capital expenditures of $29,800. The final budget for 2014 was $13,958,019. The budget was funded through a combination of revenues and appropriated fund balance. The real property tax levy increased by $285,568 (2.24%, which was within the tax levy limit) and all other estimated revenues decreased $13,296.

The budget is the Library's anticipated spending plan for the year. Throughout the year, certain lines of the budget may become over expended even though the Library stays within its total budget. At the end of the year, the Library makes budget transfers to eliminate the over expended budget lines. These year-end budget transfers are subsequently approved by the Board of Trustees.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and appropriations to fund the subsequent year's budget, encumbrances and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	$ 2,328,223
Appropriated for Budget Revisions	(95,349)
Revenues Over Budget	15,157
Expenditures and Encumbrances Under Budget	168,840
Change in Nonspendable Fund Balance	33,711
Change in Assigned Fund Balance	95,349
Appropriated for the 2015 Budget	(597,010)
Closing, Unassigned Fund Balance	$ 1,948,921

Opening, Unassigned Fund Balance

The $2,328,223 shown in the table is the portion of the Library's December 31, 2013, fund balance that was retained as unassigned. This was 16.82% of the Library's 2014, approved operating budget of $13,841,693.

Appropriated for Budget Revisions

The Library assigned $120,000 of the unassigned fund balance for library-wide capital improvements. Of this amount, $95,349 was appropriated during the year ended December 31, 2014.

Revenues Over Budget

The 2014 budget for revenues was $13,925,840. Actual revenues received for the year were $13,310,997. The excess of actual revenue over estimated or budgeted revenue was $15,157. This change contributes directly to the change to the unassigned portion of the general fund-fund balance from December 31, 2013 to December 31, 2014.

Expenditures and Encumbrances Under Budget

Actual expenditures for the year ended December 31, 2014, were $13,787,443, and outstanding encumbrances were $1,736. Combined, expenditures and encumbrances were $168,840 under the revised operating budget of $13,958,019. This under-expenditure contributes to the change to the unassigned portion of the general fund-fund balance from December 31, 2013 to December 31, 2014.

Change in Nonspendable Fund Balance

The $33,711 decrease in nonspendable fund balance for prepaids increases unassigned fund balance.

Change in Assigned and Appropriated Fund Balance

The Library designated $120,000 for the purpose of capital improvements and necessary renovations to the Library facilities. During the year ended December 31, 2014, $95,349 was appropriated and $24,651 remains as assigned fund balance. Additionally, the Library appropriated $597,010 to fund the 2015 voter approved budget.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the Library will begin the 2015 fiscal year with an unassigned fund balance of $1,948,921. This is a decrease of $379,302 from the opening unassigned fund balance. This unassigned portion equals 13.78% of the Library's 2015 operating budget.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

As of December 31, 2014, the Library's investment in capital assets totaled $24,348,632 which is a decrease of $676,672 compared with 2013. The decrease is due to depreciation expense of $964,648 net of capital asset additions of $287,976. The majority of the additions were for the renovation and expansion of the Library's buildings. A summary of capital assets net of depreciation at year end is as follows:

	2014	2013	Increase (Decrease)
Land	$ 1,408,073	$ 1,408,073	$ -
Art collection	178,000	178,000	-
Buildings	21,006,726	21,537,700	(530,974)
Improvements other than buildings	339,814	375,127	(35,313)
Permanent fixtures	700,778	738,546	(37,768)
Furniture and equipment	715,241	787,858	(72,617)
Capital assets, net	$ 24,348,632	$ 25,025,304	$ (676,672)

B. Debt Administration

On December 31, 2014, the Library had total bonds payable of $16,655,000. The bonds were issued through the New York State Dormitory Authority for the renovation/expansion of Library buildings. The bonds mature in 2028 and bear interest ranging from 4% to 6%. The bonds were issued with a $378,557 premium, which is reported as a liability and amortized over the life of the debt as a reduction of the interest expense.

A summary of the outstanding debt at December 31, 2014 and 2013, is as follows:

Issue Date	Interest Rate	2014	2013	Increase (Decrease)
December 4, 2008	4.0% - 6.0%	$ 16,655,000	$ 17,450,000	$ (795,000)

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Years Budget

The general fund 2015 budget, as approved by the voters on October 24, 2014, is $14,143,470. This is an increase of $301,787 (2.18%) over the 2014 budget. The increase is primarily in salaries and benefits. Included in the 2015 budget is an early retirement/separation incentive approved by the Board of Trustees in an effort to reduce expenditures. Qualifying employees wishing to take the incentive must separate from service by June 30, 2015. Any realized savings from the incentive will have a positive impact on future budgets.

The real property tax levy will increase $256,549 (1.97%) and other estimated revenues will decrease $5,929 (2.16%). The Library appropriated $597,010 in available fund balance to fund the 2015 budget.

B. Tax Cap

Chapter 97 of the 2011 Laws of New York limits for a five year period, the increase in the propter tax levy of local governments to the lesser of 2% or the rate of inflation starting with the 2012-13 fiscal year. There are additional statutory adjustments in the law. Public libraries are authorized to exceed the tax levy limit only if the governing body enacts, by a 60% vote, to override the tax levy limit, and the budget is approved by more than 50% of the voters. Based on the law the Library's tax levy cap was 1.97%. The 1.97% increase in the levy was within the tax cap.

C. Property Tax Freeze

New York State recently enacted a law to effectively "freeze" property taxes for two years on the primary residences of homeowners with annual incomes at or below $500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve saving for taxpayers. The law is effective for the Library starting with the 2015 budget year and homeowners will receive refund checks in the fall of 2015. This program will provide an incentive for the Library to be tax cap compliant.

8. ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the Library's taxpayers, customers and other interested parties with an overview of the Library's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact:

Mr. Robert Lusak, Director
The Smithtown Special Library District
Nesconset Branch
148 Smithtown Boulevard
Nesconset, New York 11767

SMITHTOWN SPECIAL LIBRARY DISTRICT
Statement of Net Position
December 31, 2014

ASSETS	
Cash	$ 3,131,662
Cash with fiscal agent	454,739
Accounts receivable	53,813
Prepaid expenses	201,318
Capital assets, not being depreciated	1,586,073
Capital assets, net of accumulated depreciation	22,762,559
Total Assets	28,190,164
LIABILITIES	
Accounts payable	121,220
Accrued liabilities	706,384
Retainage payable	7,500
Long-term liabilities	
Due within one year	
Bonds payable	855,498
Due after one year	
Bonds payable	16,019,068
Compensated absences payable	1,576,845
Due to employees' retirement system	686,918
Net other postemployment benefits obligation	3,405,863
Total Liabilities	23,379,296
DEFERRED INFLOWS OF RESOURCES	
Deferred taxes	59,936
Total Deferred Inflows of Resources	59,936
NET POSITION	
Net investment in capital assets	7,693,632
Restricted	
Special programs & projects	53,930
Debt service	36,514
Unrestricted (deficit)	(3,033,144)
Total Net Position	$ 4,750,932

SMITHTOWN SPECIAL LIBRARY DISTRICT
Statement of Activities
For The Year Ended December 31, 2014

EXPENSES	
Library services	
Personal services	$ 7,000,656
Employee benefits	4,151,034
Contractual and other expenses	1,692,964
Depreciation	964,648
Debt service - interest	897,597
Total Program Expenses	14,706,899
Program Revenues	
Charges for services	102,641
Operating grants	2,910
Total Program Revenues	105,551
Net Program Expense	14,601,348
General Revenues	
Real property taxes	13,022,657
Other tax items	123,876
Use of money and property	17,896
Miscellaneous	53,324
State sources	42,865
Total General Revenues	13,260,618
Change in Net Position	(1,340,730)
Total Net Position - Beginning of Year	6,091,662
Total Net Position - End of Year	$ 4,750,932

SMITHTOWN SPECIAL LIBRARY DISTRICT
Balance Sheet - Governmental Funds
December 31, 2014

	General	Miscellaneous Revenue	Debt Service	Capital Projects	Total
ASSETS					
Cash	$ 3,039,865	$ 55,597	$	$ 36,200	$ 3,131,662
Cash with fiscal agent			454,739		454,739
Accounts receivable	37,723			16,090	53,813
Due from other funds		24,492	35,819	37,622	97,933
Prepaid expenses	201,318				201,318
Total Assets	$ 3,278,906	$ 80,089	$ 490,558	$ 89,912	$ 3,939,465
LIABILITIES					
Payables					
Accounts payable	$ 121,220	$	$	$	$ 121,220
Accrued liabilities	252,340		454,044		706,384
Retainage payable				7,500	7,500
Due to other funds	71,774	26,159			97,933
Total Liabilities	445,334	26,159	454,044	7,500	933,037
DEFERRED INFLOWS OF RESOURCES					
Deferred taxes	59,936				59,936
Total Deferred Inflows of Resources	59,936	-	-	-	59,936
FUND BALANCES					
Nonspendable: Prepaids	201,318				201,318
Restricted:					
Special programs & projects		53,930			53,930
Debt service			36,514		36,514
Assigned:					
Appropriated	597,010				597,010
Unappropriated	26,387			82,412	108,799
Unassigned: Fund balance	1,948,921				1,948,921
Total Fund Balances	2,773,636	53,930	36,514	82,412	2,946,492
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,278,906	$ 80,089	$ 490,558	$ 89,912	$ 3,939,465

SMITHTOWN SPECIAL LIBRARY DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2014

Total Governmental Fund Balances		$ 2,946,492
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Library as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$ 29,124,621	
Accumulated depreciation	(4,775,989)	
		24,348,632
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Bonds payable	(16,874,566)	
Compensated absences payable	(1,576,845)	
Due to employees' retirement system	(686,918)	
Net other postemployment benefits obligation	(3,405,863)	
		(22,544,192)
Total Government-wide Net Position		$ 4,750,932

See Notes to Financial Statements

SMITHTOWN SPECIAL LIBRARY DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended December 31, 2014

	General	Miscellaneous Revenue	Debt Service	Capital Projects	Total
REVENUES					
Real property taxes	$ 13,022,657	$	$	$	$ 13,022,657
Other tax items	123,876				123,876
Library charges, fines & fees	101,041	1,600			102,641
Use of money and property	17,752	144			17,896
Miscellaneous	2,806	2,910		50,518	56,234
State sources	42,865				42,865
Total Revenues	13,310,997	4,654	-	50,518	13,366,169
EXPENDITURES					
Salaries	7,000,656				7,000,656
Equipment / capital outlay	87,353			142,427	229,780
Contractual and other expenditures	1,746,673	3,708	781		1,751,162
Employee benefits	3,168,224				3,168,224
Debt service					
Principal			795,000		795,000
Interest			923,988		923,988
Total Expenditures	12,002,906	3,708	1,719,769	142,427	13,868,810
Excess (Deficiency) of Revenues Over Expenditures	1,308,091	946	(1,719,769)	(91,909)	(502,641)
OTHER FINANCING SOURCES AND USES					
Operating transfers in			1,718,988	65,549	1,784,537
Operating transfers out	(1,784,537)				(1,784,537)
Total Other Financing Sources and (Uses)	(1,784,537)	-	1,718,988	65,549	-
Net Change in Fund Balance	(476,446)	946	(781)	(26,360)	(502,641)
Fund Balances - Beginning of year	3,250,082	52,984	37,295	108,772	3,449,133
Fund Balances - End of year	$ 2,773,636	$ 53,930	$ 36,514	$ 82,412	$ 2,946,492

SMITHTOWN SPECIAL LIBRARY DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For The Year Ended December 31, 2014

Net Change in Fund Balance		$ (502,641)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-term revenue and expense differences		
In the Statement of Activities, certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Increase in compensated absences	$ (1,420)	
Increase in amortized ERS obligation	(392,810)	
Increase in net other postemployment benefits obligation	(588,578)	
		(982,808)
Capital related differences		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceed depreciation in the period.		
Purchase of capital items	287,976	
Depreciation expense	(964,648)	
		(676,672)
Long-term debt transaction differences		
Amortization of premium on obligations	26,391	
Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Repayment of bond principal	795,000	
		821,391
Change in Net Position of Governmental Activities		$ (1,340,730)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Smithtown Special Library District (Library) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), which is the standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

The Smithtown Special Library District was established effective January 1, 2002, pursuant to the New York State Legislature and the voters of the Town of Smithtown (Town). Prior to 2002, the Library was known as The Smithtown Library and was a Special Revenue Fund of the Town.

A. Reporting Entity

The Library is governed by Education Law and other general laws of the State of New York. The governing body is the Board of Trustees of the Library. The scope of activities included within the accompanying financial statements are those transactions which comprise library operations, and are governed by, or significantly influenced by, the Board of Trustees. The Library is a system of four buildings which provides books and other resources to the community.

The reporting entity is the primary government, the Library, as well as component units and other organizational entities determined to be includable in the Library's financial reporting entity, based on the nature and significance of their relationship with the Library. The financial reporting entity is based on criteria set forth by GASB. These criteria include legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities which would be included in the Library's reporting entity.

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall financial activities of the Library. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants reflects capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the Library at fiscal year end. The Statement of Activities presents a comparison between expenses for library services and revenues for the fiscal year. Program revenues include (a) charges paid by the recipients of goods or services from library services and (b) grants, contributions, and other revenues that are restricted to meeting the operational or capital requirements of library services. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Library's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds as defined by GASB, each displayed in a separate column. The Library's Financial Statements reflect the following fund categories:

Governmental Funds:

General Fund - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Revenue Fund - is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either governments that provide the funds or outside by outside parties.

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

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

Capital Projects Fund – is used to account for the financial resources used for acquisition, construction, renovation, or major repair of capital facilities.

C. Measurement Focus and Basis of Accounting

The government-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 real property taxes, grants and donations. On an accrual basis, revenue from real 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 and the related expenditures are incurred.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 the current period or soon enough thereafter to be used to pay liabilities of the current period, except for property taxes, which are considered to be available if they are collected within 60 days after the end of the year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pension costs and other postemployment benefits, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Property Taxes

Calendar

Real property taxes are levied annually by the Board of Trustees of the Library no later than November 1st and become a lien on December 1st. The Library's tax levy is collected by the Town of Smithtown from January to June. As per the debt agreement with the New York State Dormitory Authority (DASNY), the Town sends the collected taxes to DASNY. DASNY retains an amount equal to the current year's debt service and remits the balance to the Library.

Enforcement

Uncollected real property taxes are subsequently enforced by the County of Suffolk in December.

E. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are 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 to Financial Statements.

F. 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 the purpose of providing cash flow. 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.

In the government-wide statements, eliminations have been made for all interfund receivables and payables between the funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the Library's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables and payables activity is provided subsequently in these Notes to Financial Statements.

G. Use of 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. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

H. Cash and Cash Equivalents

The Library's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from date of acquisition.

I. 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 allowance would not be material.

J. Prepaid Expenses

Prepaid expenses represent payments made by the Library for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that prepaids do not constitute available spendable resources.

K. Capital Assets

Capital assets are reflected in the government-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at estimated fair market value at the date of donation.

All capital assets, except land, and the art collection, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	$ 500	20-40 years
Improvements other than buildings	500	15-20 years
Furniture and equipment	500	5-15 years

L. Deferred Inflows of Resources

Deferred inflows of resources are reported when resources associated with imposed non-exchange transaction, e.g., real property taxes, are received before the period for which property taxes are levied. They are reclassified as property tax revenues in the year for which the property taxes are levied, which is generally the subsequent year.

M. Vested Employee Benefits – Compensated Absences

Compensated absences consist of unpaid accumulated sick leave and vacation time.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from services with the Library by December 31st.

N. Other Benefits

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

Library employees may choose to participate in the Library's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the Library provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if Library employees are 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 employees. The Library recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund, as the liabilities for premiums mature (come due for payment). In the government-wide statements, postemployment costs are recognized using the accrual basis of accounting in accordance with GASB Statement No. 45.

O. Equity Classifications

Government-wide Statements

In the government-wide statements there are three classes of net position:

Net investment in capital assets – 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.

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.

Unrestricted – Reports all other amounts that do not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balances consists of prepaids.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by credits, grants, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The Library has established the following restricted fund balances:

Restricted for Special Programs and Projects

Reserve for Special Programs and Projects represents the balance of grants and donations for special projects and programs. These resources are accounted for in the Miscellaneous Revenue Fund.

Restricted Debt Service

Unexpended balances of proceeds of borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest are recorded as restricted for debt service and held until appropriated for debt payments. The restricted amounts are accounted for in the debt service fund.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Library's Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes encumbrances not classified as restricted or committed at the end of the fiscal year.

Unassigned – Represents the residual classification for the Library's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, or assigned.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Trustees if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Trustees.

The Board of Trustees shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the Board will assess the current financial condition of the Library and then determine the order of application of expenditures to which fund balance classification will be charged.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide 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 resource measurement focus of the Statement of Activities, compared with the current financial resource measurement focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the Library's governmental funds differ 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 Changes in Fund Balance vs. Statement of Activities

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories.

Long-Term Revenue and Expense 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 accounting is used on the Statement of Activities.

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund 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 statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The Library administration prepares a proposed budget for approval by the Board of Trustees for the general fund, the only fund with a legally adopted budget.

The voters of the Library approved the proposed appropriation budget for 2014.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. 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 can be funded by the planned use of specific reserves, and can be increased by budget amendments approved the Board of Trustees as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balance. 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. During the year, supplemental appropriations increased to provide for: the transfer of funds designated for capital projects in the amount of $65,549 and for an ordinary contingent expenditure in the general fund in the amount of $29,800.

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the Library's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned, unappropriated fund balance, unless classified as restricted and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Library's investment policies are governed by state statutes and Library policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. 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 United State and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. 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:

A. Uncollateralized,
B. Collateralized by securities held by the pledging financial institution, or
C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Library's name.

None of the Library's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year-end.

The Library did not have any investments at year-end or during the year. Consequently, the Library was not exposed to any material interest rate risk.

The Library maintains its cash balances at several banks. All cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to the maximum limits prescribed by law. At year end, the Library's carrying amount of deposits was $3,130,490 (excluding petty cash) and the bank balance was $3,263,154. Of the bank balance, $763,057 was covered by federal depository insurance and $2,500,097 was covered by collateral held by the Library's agent.

5. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2014 were as follows:

	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,408,073	$	$	$ 1,408,073
Art collection	178,000			178,000
Total capital assets not being depreciated	1,586,073	-	-	1,586,073
Capital assets being depreciated				
Buildings	24,757,281	233,613		24,990,894
Improvements other than buildings	461,960		(16,459)	445,501
Permanent fixtures	849,138	663		849,801
Furniture and equipment	1,199,617	53,700	(965)	1,252,352
Total capital assets being depreciated	27,267,996	287,976	(17,424)	27,538,548
Less accumulated depreciation for:				
Buildings	3,219,581	764,587		3,984,168
Improvements other than buildings	86,833	35,313	(16,459)	105,687
Permanent fixtures	110,592	38,431		149,023
Furniture and equipment	411,759	126,317	(965)	537,111
Total accumulated depreciation	3,828,765	964,648	(17,424)	4,775,989
Total capital assets being depreciated, net	23,439,231	(676,672)	-	22,762,559
Capital assets, net	$ 25,025,304	$ (676,672)	$ -	$ 24,348,632

6. INTERFUND TRANSACTIONS

Interfund balances and activities at December 31, 2014, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General	$	$ 71,774	$	$ 1,784,537
Miscellaneous Revenue	24,492	26,159		
Debt Service	35,819		1,718,988	
Capital Projects	37,622		65,549	
	$ 97,933	$ 97,933	$ 1,784,537	$ 1,784,537

The Library typically transfers from the general fund to the debt service fund for the current year debt expenditures. The transfer to the capital projects fund was made from the fund balance assigned for library-wide capital improvements per Board action.

7. LONG-TERM LIABILITIES

Long-term liability balances and activity, excluding due to employees' retirement system and other postemployment benefits, for the year are summarized below:

	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 17,450,000	$	$ (795,000)	$ 16,655,000	$ 830,000
Add: Bond premium	245,957		(26,391)	219,566	25,498
	17,695,957	-	(821,391)	16,874,566	855,498
Other long-term liabilities:					
Compensated absences	1,575,425	1,420		1,576,845	-
	$ 19,271,382	$ 1,420	$ (821,391)	$ 18,451,411	$ 855,498

The general fund has typically been used to liquidate long-term liabilities.

Bonds payable are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at December 31, 2014
Serial bonds	12/4/2008	7/1/2028	4.0% - 6.0%	$ 16,655,000

The 2008 bonds were issued with a premium of $378,557, which is reported as an addition to the bonds payable liability and amortized over the life of the bonds. At December 31, 2014, the unamortized balance of the bond premium is $219,566.

The following is a summary of debt service requirements:

Fiscal Year Ending December 31,	Principal	Interest	Total
2015	$ 830,000	$ 887,338	$ 1,717,338
2016	875,000	844,713	1,719,713
2017	915,000	801,812	1,716,812
2018	965,000	756,660	1,721,660
2019	1,015,000	707,163	1,722,163
2020-2024	5,925,000	2,684,631	8,609,631
2025-2028	6,130,000	763,500	6,893,500
	$ 16,655,000	$ 7,445,817	$ 24,100,817

Interest on long-term debt for the year was composed of:

Interest paid	$ 923,988
Less amortization of bond premium	(26,391)
	$ 897,597

8. PENSION PLANS

A. New York State and Local Employees' Retirement System

Plan Description

The Library participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan, collectively known as NYSLRS. cost-sharing multiple employer, public employee retirement systems. The NYSLRS provides retirement benefits, as well as death and disability benefits to plan members and beneficiaries.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the sole trustee and administrative head of the NYSLRS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSLRS and for the custody and control of its funds. The NYSLRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be found at www.osc.state.ny.us/retirement/publications or may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policies

Plan members who joined ERS before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership.

The Comptroller annually certifies the actuarially determined rates expressly used in computing the employer's contributions based on salaries paid during the ERS' fiscal year ending March 31st. The resulting contributions paid in the current year and two preceding years were equal to 100 percent of the contributions required and were as follows:

	2014	2013	2012
Library contributions paid	$ 819,660	$ 889,095	$ 1,064,173

The Library recognizes 12 months of expenditures for the fiscal year ending December 31 in the financial statements based on salaries paid and applicable contribution rates. This is a different fiscal year than the ERS' fiscal year. The resulting expenditures recognized in the financial statements for the current year and two preceding years were as follows:

	2014	2013	2012
Library expenditures recognized	$ 852,558	$ 917,760	$ 977,684

The Library is obligated for retirement incentive programs to the ERS under Chapter 260 of the Laws of 2004. In the current fiscal year, $28,874 was charged to expenditures in the governmental funds. The unpaid liability at December 31, 2014 is $4,988 plus interest at 5%, and is reported under long-term liabilities in the government-wide statements.

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. During the year ended December 31, 2013, the Library opted to participate in this program. This law requires employers to make payments on a current basis, while amortizing existing unpaid amounts. In the current fiscal year $31,735 was charged to expenditures in the governmental funds. The unpaid liability at December 31, 2014 is $240,353, plus interest at 3.7% and is reported under long-term liabilities in the government-wide statements.

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. During the year ended December 31, 2014, the Library opted to participate in this program. This law requires employers to make payments on a current basis, while amortizing existing unpaid amounts. The total unpaid liability at December 31, 2014 is $441,578, plus interest at 3.15% and is reported under long-term liabilities in the government-wide statements.

B. Tax Sheltered Annuities

The Library has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. Contributions made by the employees for the year ended December 31, 2014, totaled $198,786.

C. Deferred Compensation Plan

The Library has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The Library makes no contributions into this Plan. The amount deferred by eligible employees for the year ended December 31, 2014 totaled $231,886.

9. POSTEMPLOYMENT BENEFITS

A. Plan Description

The Library provides medical and Medicare part B reimbursement (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program - Empire Plan. The plan does not issue a stand-alone financial report.

B. Funding Policy

The Library shares the cost of the premiums with retired employees and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended December 31, 2014, the Library recognized a general fund expenditure for insurance premiums for 78 currently enrolled retirees. Currently, there is no provision in the law to permit the Library to fund other postemployment benefits by any means other than the "pay as you go" method.

C. Annual OPEB Cost and Net OPEB Obligation

The Library's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Library's net OPEB obligation.

Annual required contribution (ARC)	$ 1,499,811
Interest on net OPEB obligation	112,691
Adjustment to ARC	(131,095)
Annual OPEB cost (expense)	1,481,407
Contributions made	(892,829)
Increase in net OPEB obligation	588,578
Net OPEB obligation - beginning of year	2,817,285
Net OPEB obligation - end of year	$ 3,405,863

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2014 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	$ 1,481,407	60.3%	$ 3,405,863
December 31, 2013	1,423,657	61.1%	2,817,285
December 31, 2012	1,372,170	61.0%	2,263,005

D. Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $17,517,446 and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $17,517,446. The covered payroll (annual payroll of active employees covered by the plan) was $4,160,470 and the ratio of the UAAL to the covered payroll was 421.0%.

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.0% after 4 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

10. ASSIGNED FUND BALANCE

A. Assigned: Appropriated

The amount of $597,010 has been appropriated to reduce taxes for the year ending December 31, 2015.

B. Assigned: Unappropriated

During the year ended December 31, 2013, the Library assigned a portion of unassigned fund balance for library-wide capital improvements. During the current year $65,549 was transferred to the capital projects fund and $29,800 was appropriated in the general fund for this purpose. At December 31, 2014, assigned fund balance for capital projects was $24,651.

All encumbrances are classified as either restricted or assigned fund balance. At December 31, 2014, the Library had encumbered $1,736 in the general fund.

11. COMMITMENT AND CONTINGENCIES

A. Risk Financing and Related Insurance

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters, etc. 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 three years.

B. Operating Leases

The Library leases various equipment under non-cancelable operating leases. Rental expense for the year was $2,705. The minimum remaining operating lease payments are as follows:

Fiscal Year Ending December 31,	Amount
2015	$ 2,705
2016	2,705
2017	2,379
	$ 7,789

SMITHTOWN SPECIAL LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended December 31, 2014

	Original Budget	Revised Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 13,020,886	$ 13,020,886	$ 13,022,657	$ 1,771
Other tax items	100,000	100,000	123,876	23,876
Other Local Revenue				
Library charges, fines & fees	113,954	113,954	101,041	(12,913)
Interest	28,000	28,000	17,752	(10,248)
Commissions	2,000	2,000	2,300	300
Refunds of prior year expense			367	367
Gifts, donations, & miscellaneous	1,000	1,000	139	(861)
Total Local Sources	144,954	144,954	121,599	(23,355)
State Sources	30,000	30,000	42,865	12,865
Total Revenues	13,295,840	13,295,840	13,310,997	$ 15,157
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	545,843	641,192		
Prior Years' Encumbrances	20,987	20,987		
	$ 13,862,670	$ 13,958,019		

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.

SMITHTOWN SPECIAL LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended December 31, 2014

	Original Budget	Revised Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual and Encumbrances
EXPENDITURES					
Salaries					
Certified librarians	$ 2,760,000	$ 2,866,000	$ 2,864,823	$	$ 1,177
Librarians part time	519,000	542,000	540,466		1,534
Clerical staff	2,055,000	2,294,000	2,291,617		2,383
Clerical part time	530,000	572,000	570,089		1,911
Pages	188,000	199,000	197,897		1,103
Custodial	245,000	266,000	264,415		1,585
Custodial part time	148,000	157,500	156,372		1,128
Sunday staffing	105,000	116,500	114,977		1,523
	6,550,000	7,013,000	7,000,656	-	12,344
Equipment / Capital outlay	60,000	89,800	87,353	1,736	711
Contractual and Other Expenditures					
Books	282,613	245,903	240,913		4,990
Recordings	122,374	100,836	97,682		3,154
Periodicals	50,000	36,000	34,147		1,853
Other serials	60,000	62,000	61,744		256
On line materials and services	116,500	157,700	155,931		1,769
Binding	1,000	1,000	317		683
Library programs	58,000	58,000	54,866		3,134
Staff development	5,000	6,000	5,844		156
Office & library supplies	91,000	112,000	111,720		280
Telecommunications	150,000	58,700	57,185		1,515
Postage	15,000	13,000	11,956		1,044
Printing	52,000	30,000	28,519		1,481
Travel	5,000	9,700	9,569		131
SCLS member support	170,000	167,000	166,385		615
Professional fees	95,000	125,000	123,965		1,035
Membership dues	3,000	3,000	2,225		775
PALS maintenance	94,600	82,000	80,197		1,803
Fuel and utilities	250,000	250,000	220,564		29,436
Custodial supplies	18,000	18,000	17,307		693
Repair and rental of equipment	131,700	217,300	173,924		43,376
Insurance	90,000	84,000	83,070		930
MTA Tax	22,270	6,270	5,401		869
Maintenance of vehicles	4,000	4,000	3,242		758
Total Contractual and Other Expenditures	1,887,057	1,847,409	1,746,673	-	100,736
Employee Benefits					
NYS employees' retirement system	1,167,000	958,448	913,167		45,281
Social security expenditures	501,075	514,075	513,406		669
Workers compensation	58,800	77,000	76,604		396
Unemployment insurance	5,000	4,000	-		4,000
Hospitalization & medical	1,769,250	1,536,250	1,533,991		2,259
CSEA benefit fund	140,000	128,000	126,399		1,601
Other benefits	5,500	5,500	4,657		843
Total Employee Benefits	3,646,625	3,223,273	3,168,224	-	55,049

SMITHTOWN SPECIAL LIBRARY DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended December 31, 2014

	Original Budget	Revised Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual and Encumbrances
EXPENDITURES					
Debt Service: Principal	$ 1,718,988	$	$	$	$ -
Total Expenditures	13,862,670	12,173,482	12,002,906	1,736	168,840
OTHER USES					
Operating Transfers Out	-	1,784,537	1,784,537	-	-
Total Expenditures and Other Uses	$ 13,862,670	$ 13,958,019	13,787,443	$ 1,736	$ 168,840
Net Change in Fund Balance			(476,446)		
Fund Balance - Beginning of Year			3,250,082		
Fund Balance - End of Year			$ 2,773,636		

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.

SMITHTOWN SPECIAL LIBRARY DISTRICT
Schedule of Funding Progress - Other Postemployment Benefits
December 31, 2014

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2009	$ -	$ 15,594,573	$ 15,594,573	0%	$ 3,551,060	439.2%
January 1, 2012	-	17,517,446	17,517,446	0%	4,160,470	421.0%

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS

The following is a summary of certain provisions of the Loan Agreements pertaining to the Series 2016 Bonds and the Projects. All references to "the Loan Agreement," "the Institution," and "the Project" in the singular apply to the individual issuers and projects in each respective Loan Agreement. This summary does not purport to be complete and reference is made to the Loan Agreements for full and complete statements of their provisions. Defined terms used in this Appendix have the meanings ascribed to them in Appendix A.

Construction of the Project

To the extent applicable, the Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution and the Series Resolution and the Loan Agreement, the Institution shall complete the acquisition, design, construction, reconstruction, rehabilitation and improving or otherwise providing and furnishing and equipping of the Project, substantially in accordance with the Contract Documents related to the Project. Subject to the conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the Construction Fund, cause the Institution to be reimbursed for, or pay, any costs and expenses incurred by the Institution which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval shall not be unreasonably withheld.

(Section 5)

Amendment of the Project; Additional Bonds

(a) The Institution, with the prior written consent of the Authority, may amend the Project to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, renovation, improving, or otherwise providing, furnishing and equipping of the Project which the Authority is authorized to undertake. The Institution shall provide such moneys as in the reasonable judgment of the Authority may be required for the cost of completing the Project in excess of the moneys in the Construction Fund established for such Project, whether such moneys are required as a result of an increase in the scope of the Project or otherwise. Such moneys shall be paid to the Trustee for deposit in the Construction Fund within fifteen (15) days after receipt by the Institution of written notice from the Authority that such moneys are required.

(b) The Authority, upon the request of the Institution, may, but shall not be required to, issue Bonds to provide moneys required for the cost of completing the Project in excess of the moneys in the Construction Fund. Nothing contained in the Loan Agreement or in the Resolution shall be construed as creating any obligation upon the Authority to issue Bonds for such purpose, it being the intent hereof to reserve to the Authority full and complete discretion to decline to issue such Bonds. The proceeds of any additional Bonds shall be deposited and applied as specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Series of Bonds.

(Section 6)

Financial Obligations

(a) Except to the extent that moneys are available therefor under the Resolution or the Series Resolution or the Loan Agreement, including, without limitation, moneys in the Debt Service Fund, but excluding interest accrued but unpaid on investments held in the Debt Service Fund, if any, the Institution unconditionally agrees to pay or cause to be paid, so long as the Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

(i) On or before the date of delivery of the Bonds, the Authority Fee as set forth in Schedule B attached to the Loan Agreement;

(ii) On or before the date of delivery of the Bonds, such amount, if any, as is required, in addition to the proceeds of such Bonds available therefor, to pay the Costs of Issuance of the Bonds, and other costs in connection with the issuance of the Bonds;

(iii) [Reserved];

(iv) On or before each March 1 commencing on March 1, 2016, an amount equal to the interest coming due on the Bonds on the immediately succeeding July 1 and January 1;

(v) On or before each March 1 commencing on March 1, 2016, an amount equal to the principal and Sinking Fund Installment on the Bonds coming due on the immediately succeeding July 1;

(vi) Except as otherwise agreed to in writing by the Authority, at least forty-five (45) days prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased, other than Bonds being redeemed pursuant to Sinking Fund Installments in accordance with clause (v) above, is to be paid, the amount required to pay the Redemption Price or purchase price of such Bonds;

(vii) The Annual Administrative Fees as set forth in Schedule A to the Loan Agreement;

(viii) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (A) for the Authority Fee then unpaid, (B) to reimburse the Authority for payments made by it pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (C) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or construction of the Project, (D) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Institution of all the provisions of the Loan Agreement or of the Mortgage or the Resolution in accordance with the terms thereof and (E) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution;

(ix) Promptly upon demand by the Authority (a copy of which shall be furnished to the Trustee), all amounts required to be paid by the Institution as a result of an acceleration pursuant to the Loan Agreement;

(x) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Bonds or otherwise available therefor under the Resolution and the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds, and any fees or expenses incurred by the Authority in connection therewith including those of any rebate analyst or consultant engaged by the Authority;

(xi) [Reserved]; and

(xii) To the extent not otherwise set forth in this paragraph (a), including without limitation, in the event of any insufficiency, any amounts necessary to pay the principal, Sinking Fund Installment, or Redemption Price, if any, of, and interest on, the Bonds, on the dates, in the amounts, at the times and in the manner provided in or pursuant to the Resolution and the Series Resolution, whether at maturity, upon acceleration, redemption or otherwise.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the Institution shall receive a credit against the amount required to be paid by the Institution during a Bond Year as described in paragraph (a)(v) above on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through any Sinking Fund Installments during the next succeeding Bond Year, either (i) the Institution delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed or (ii) the Trustee, at the direction of the Authority, has purchased one or more Bonds of the Series and maturity to be so redeemed from amounts on deposit in the Debt

Service Fund in accordance with the Resolution during such Bond Year. The amount of the credit shall be equal to the principal amount of the Bonds so delivered. In addition, subject to the provisions of the Loan Agreement and of the Collection Agreement, the Institution shall receive a credit against the amounts required to be paid by the Institution during a Bond Year as described paragraphs (a)(iv) and (v) above on account of payments made to the Trustee pursuant to the Collection Agreement.

The Authority pursuant to the Loan Agreement directs the Institution, and the Institution agrees, to make the payments required by Section 9(a) as follows: (i) the payments required by paragraphs (a)(iv), (a)(v), (a)(vi), (a)(ix) and (a)(xii) above directly to the Trustee for deposit and application in accordance with the Resolution; (ii) the payments required by paragraph (a)(ii) above directly to the Trustee for deposit in the Construction Fund or other fund established under the Resolution, as directed by the Authority; (iii) the payments required by paragraph (a)(x) above directly to the Trustee for deposit in the Arbitrage Rebate Fund; and (iv) the payments required by paragraphs (a)(i), (a)(vii) and (a)(viii) under this heading "Financial Obligations" to or upon the written order of the Authority.

(b) Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically described in this subdivision), all moneys paid by the Institution to the Trustee pursuant to the Loan Agreement or otherwise held by the Trustee shall be applied in reduction of the Institution's indebtedness to the Authority under the Loan Agreement, first, with respect to interest and, then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Trustee for the payment of interest on Outstanding Bonds, and, with respect to the principal of such indebtedness, such moneys have been applied to, or are held for, payments in reduction of the principal amount of Outstanding Bonds and as a result thereof Bonds have been paid or deemed to have been paid in accordance with the Resolution. Except as otherwise provided in the Resolution, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Holders of Bonds, regardless of the actual due date or applicable payment date of any payment to the Holders of Bonds.

(c) The obligations of the Institution to make payments or cause the same to be made under the Loan Agreement shall be absolute and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the Institution may otherwise have against the Authority, the Trustee or any Holder of Bonds for any cause whatsoever including, without limiting the generality of the foregoing, if applicable, failure of the Institution to complete the Project or, if applicable, the completion thereof with defects, failure of the Institution to occupy or use the Project, any declaration or finding that the Bonds are or the Resolution is invalid or unenforceable or any other failure or default by the Authority or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part in the Loan Agreement contained or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the Institution may institute such action as it may deem necessary to compel performance or recover damages for non-performance.

The Loan Agreement and the obligations of the Institution to make payments under the Loan Agreement are general obligations of the Institution.

(d) The Authority, for the convenience of the Institution, shall furnish to the Institution statements of the due date, purpose and amount of payments to be made pursuant to the Loan Agreement. The failure to furnish such statements shall not excuse non-payment of the amounts payable under the Loan Agreement at the time and in the manner provided the Loan Agreement. The Institution shall notify the Authority as to the amount and date of each payment made to the Trustee by the Institution.

(e) The Authority shall have the right in its sole discretion to make on behalf of the Institution any payment required pursuant to the Loan Agreement which has not been made by the Institution when due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority described under the heading "Defaults and Remedies" arising out of the Institution's failure to make such payment and no payment by the Authority shall be construed to be a waiver of any such right or of the obligation of the Institution to make such payment.

(f) The Institution, if it is not then in default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in the Debt Service Fund and applied in accordance with the terms of the Resolution or held by the Trustee for the payment of Bonds in accordance with the terms of the Resolution. Upon any voluntary payment by the Institution or any payment made pursuant to certain provisions of the Loan Agreement, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the terms of the Resolution with respect to such Bonds; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions of the Institution, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

(g) If the Institution elects to purchase Bonds, with the consent of the Authority, the Institution shall give written notice to the Authority, the Trustee and each Facility Provider whenever Bonds are to be purchased at the election of the Institution, which written notice shall include the maturity and principal amount of the Bonds to be so purchased. All such purchases shall be subject to the condition that money for the payment of the purchase price therefore is available on the date set for each such purchase.

(Section 9)

Security Interest in Pledged Revenues.

As security for the payment of all liabilities and the performance of all obligations of the Institution pursuant to the Loan Agreement, the Institution does continuously pledge, grant a security interest in, and assign to the Authority the Pledged Revenues, together with the Institution's right to receive and collect the Pledged Revenues and the proceeds of the Pledged Revenues.

The Institution represents and warrants that no part of the Pledged Revenues or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, and that the Pledged Revenues assigned pursuant to the Loan Agreement are legally available to provide security for the Institution's performance under the Loan Agreement. The Institution agrees that it shall not, except as provided by the Resolution, hereafter create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Pledged Revenues which is prior or equal to the pledge described under this heading; provided, however, that the Institution may incur indebtedness secured by a parity lien on Pledged Revenues (excluding however the Authority's security interest in the Project Levy) with the prior written consent of the Authority ("Parity Indebtedness"), which consent shall not be unreasonably withheld.

(Section 11)

Collection of Pledged Revenues

(a) Subject to the provisions of paragraph (b) below, commencing on the date on which the Bonds are first issued and delivered and continuing until no Bonds are Outstanding, the Institution, pursuant to the provisions of the Collection Agreement or otherwise, shall deliver to the Trustee for deposit in accordance with the Resolution all Pledged Revenues (other than the amounts subject to any Parity Indebtedness) within ten (10) days following the Institution's receipt thereof unless and until there is on deposit in the Debt Service Fund an amount at least equal to the sum of (i) the interest coming due on or prior to the earlier of the next succeeding July 1 or January 1, (ii) the principal and Sinking Fund Installments of Outstanding Bonds payable on and prior to the next succeeding January 1, and (iii) the Redemption Price or purchase price of Outstanding Bonds theretofore called for redemption or contracted to be purchased, and accrued interest thereon to the date of redemption or purchase. In the event that, pursuant to the provisions of the Loan Agreement, the Authority notifies the Institution that account debtors are to make payments directly to the Authority or to the Trustee, such payments shall be made directly to the Authority or the Trustee notwithstanding anything contained in this paragraph, but the Institution shall continue to deliver to the Trustee for deposit in accordance with the Resolution any payments received by the Institution with respect to the Pledged Revenues.

(b) Notwithstanding anything to the contrary in paragraph (a) above, in the event that, on or prior to the date on which a payment is to be made pursuant to the provisions of the Loan Agreement on account of the principal, Sinking Fund Installments or Redemption Price of or interest on Outstanding Bonds, the Institution has made such payment pursuant to the Collection Agreement or from its general funds or from any other money legally available to it for such purpose, the Institution shall not be required solely by virtue of paragraph (a) above, to deliver Pledged Revenues to the Trustee.

(c) Any Pledged Revenues collected by the Institution that are not required to be paid to the Trustee pursuant to the terms of the Loan Agreement shall be free and clear of the security interest granted by the Loan Agreement and may be disposed of by the Institution for any of its corporate purposes provided that no Event of Default nor any event which but for the passage of time or the receipt of notice or both would be an Event of Default has occurred and is continuing.

(d) It is agreed that all State officers or local officers, including without limitation, officers of the State Education Department, School District, the respective towns, counties, libraries, and officers of the Institution are authorized, required and directed to pay Public Funds to the Authority or the Trustee for deposit in the funds created under the Resolution upon the filing of a certificate by an Authorized Officer of the Authority with such officer stating the amount, if any, needed to satisfy the obligations of the Institution which have not been satisfied by the Institution when due under the Loan Agreement. Such certificate may be filed at any time. The direction may be rescinded by the Authority by the filing of a rescinding notice with the officer receiving the certificate. Copies of any certificate filed pursuant to this paragraph shall be delivered to the Trustee and the Institution.

(Section 12)

Warranty of Title; Title Insurance; Utilities and Access

The Institution warrants and represents to the Authority that (i) it has good and marketable title to the Project, free and clear of liens and encumbrances, except Permitted Encumbrances, so as to permit it to have quiet enjoyment and use thereof for purposes of the Loan Agreement and the Institution's programs and (ii) the Institution has such rights of way, easements or other rights in land as may be reasonably necessary for ingress and egress to and from the Project for proper operation and utilization of the Project and for utilities required to serve the Project, together with, if applicable, such rights of way, easements or other rights in, to and over land as may be necessary for construction by the Institution of the Project.

The Institution covenants that title to the Project shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances.

The Institution warrants, represents and covenants that (i) the Project is or will be serviced by all necessary utilities (including, to the extent applicable, without limitation, electricity, gas, water, sewer, steam, heating, air-conditioning and ventilation) and (ii) to the extent applicable, has its own separate and independent means of access, apart from any other property owned by the Institution or others; provided, however, that such access may be through common roads or walks owned by the Institution used also for other parcels owned by the Institution.

(Section 14)

Consent to Pledge and Assignment by the Authority

The Institution consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee of the Authority's rights to receive any or all of the payments required to be made pursuant to the Loan Agreement, any or all security interests granted by the Institution under the Loan Agreement, including without limitation the security interest in the Pledged Revenues given by the Institution pursuant to the Loan Agreement, and all funds and accounts established by the Resolution and pledged under the Resolution, in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The Institution further agrees that the Authority may pledge and assign to the Trustee any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee described in this paragraph, the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Institution's obligation to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Institution under the Loan Agreement. Any realization upon any pledge made or security interest granted by Loan Agreement shall not, by operation of law or otherwise, result in cancellation or termination of the Loan Agreement or the obligations of the Institution under the Loan Agreement.

(Section 15)

Additional Representation and Covenants

The Institution warrants and represents that (i) it has the requisite power and authority (A) to authorize, execute and deliver, and to perform its obligations under, the Loan Agreement, the Collection Agreement and the Related Agreements, (B) to incur the indebtedness contemplated thereby and (C) to make the pledge of and grant the security interest in the Pledged Revenues given in the Loan Agreement, (ii) the Loan Agreement, the Collection Agreement and the Related Agreements constitute the valid and binding obligations of the Institution enforceable in accordance with their terms, and (iii) the execution and delivery of, consummation of the transactions contemplated by and performance of the Institution's obligations under the Loan Agreement, the Collection Agreement and each of the Related Agreements, including, but not limited to, the pledge of and security interest in the Pledged Revenues made or granted pursuant to the Loan Agreement, do not violate, conflict with or constitute a default under the charter or bylaws of the Institution or any indenture, mortgage, trust, or other commitment or agreement to which the Institution is a party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institution or any of its properties.

The Institution warrants, represents and covenants (i) that the Pledged Revenues, or any right to receive or collect the same or the proceeds thereof, are and will be free and clear of any pledge, lien, charge, security interest or encumbrance thereon or with respect thereto, other than any Parity Indebtedness, prior to, or of equal rank with, the pledge thereof made pursuant to the Loan Agreement and (ii) that all corporate action on the part of the Institution to authorize the pledge thereof and the granting of a security interest therein has been duly and validly taken. The Institution further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect such pledge and security interest and all of the rights of the Authority and the Holders of Bonds thereunder against all claims and demands of all persons whomsoever.

(Section 16)

Tax-Exempt Status of the Institution

(a) The Institution represents that it is (i) an education corporation and school district public library organized and existing under the laws of the State (*Comsewogue*); (ii) a not-for-profit tax-exempt corporation and free association library incorporated and existing under the laws of the State (*Rogers*); or (iii) an independent special district public library (*Smithtown*). Each Institution further represents that: (i) no part of its earnings inure to the benefit of any private non-governmental entity or individual, (ii) it is not subject to federal, state or local taxation, and (iii) upon dissolution, its assets must be returned to the Board of Regents to the extent of any state aid or gifts for public use received by it, with remaining assets, if any, to be used as directed in the vote abolishing the library. The Institution agrees that it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and it shall not perform any act, enter into any agreement or use or permit the Project to be used in any manner, or for any trade or business or other non-exempt use unrelated to the purposes of the Institution, which could adversely affect the exclusion of interest on the Bonds from federal gross income pursuant to Section 103 of the Code.

(b) The Institution agrees that it shall take no action, enter into any agreement, or use or permit the Project to be used in any manner, nor shall it fail to take any action or consent to the failure to take any action, which could adversely affect the exclusion of interest on the Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 17)

Use and Possession of the Project

Subject to the rights, duties and remedies of the Authority under the Loan Agreement, the Institution shall have sole and exclusive control and possession of and responsibility for (i) the Project, (ii) the operation of the Project and supervision of the activities conducted therein or in connection with any part thereof and (iii) the maintenance, repair and replacement of the Project; provided, however, that, except as otherwise limited by the Loan Agreement, the foregoing shall not prohibit use of the Project by persons other than the Institution or its patrons, staff or employees in furtherance of the Institution's corporate purposes, if such use will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes.

(Section 21)

Restrictions on Religious Use

The Institution agrees that with respect to the Project or portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof such Project or portion thereof shall not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction shall not prohibit the free exercise of any religion; provided, further, that if at any time hereafter, in the opinion of Bond Counsel, the then applicable law would permit the Project or portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to such Project and each portion thereof. The Authority and its agents may conduct such inspections as the Authority deems necessary to determine whether the Project or any portion or real property thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. The Institution further agrees that prior to any disposition of any portion of the Project for less than fair market value, it shall execute and record in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of such Project to the restriction that (i) so long as such portion of such Project (and, if included in the Project, the real property on or in which such portion of such Project is situated) shall exist and (ii) until such portion of such Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of such Project shall not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the instance of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of the Project, or, if included in the Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of this paragraph an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

(Section 22)

Covenant as to Insurance

(a) The Institution agrees to maintain or cause to be maintained insurance with insurance companies or by means or self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by entities located in the State of a nature similar to that of the Institution, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance in amounts estimated to indemnify the reasonably anticipated damage, loss or liability, subject to reasonable deductible provisions. The Institution shall at all times also maintain worker's compensation coverage and disability benefits insurance coverage as required by the laws of the State.

(b) The Institution shall furnish to the Authority annually (1) a certificate or report of an Insurance Consultant that the insurance coverage maintained by the Institution is adequate and in accordance with the standards above, and (2) any certificates of workers' compensation insurance and disability benefits insurance coverage required by the New York State Workers' Compensation Board.

(c) If the Authority shall so request in writing, the Institution shall provide to the Authority summaries or other evidence of its insurance coverage and shall obtain endorsements reasonably requested by the Authority.

(Section 25)

Indemnity by Institution

(a) To the extent permitted by law, the Institution releases and agrees to hold harmless and indemnify the Authority and its members, officers, officials, counsel, consultants, agents and employees from and against all, and agrees that the Authority and its members, officers, officials, counsel, consultants, agents and employees shall not be liable for any, (i) liabilities, suits, actions, claims, demands, damages, losses, expenses and costs of every kind and nature resulting from any action taken in accordance with, or permitted by, the Loan Agreement, the Collection Agreement, any Related Agreement or the Resolution, or arising therefrom or incurred by reason thereof or arising from or incurred by reason of the financing of the Project, or (ii) loss or damage to property or any injury to or death of any or all persons that may be occasioned by any cause whatsoever pertaining to the Project or arising by reason of or in connection with the presence on, in or about the premises of such Project of any person; including in each case, without limiting the generality of the foregoing, causes of action and attorneys' fees and other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing and including any loss, damage or liability which may arise as a result of the negligence (but excluding any loss, damage or liability which may arise as a result of the gross negligence, willful misconduct or intentional misrepresentation) of any party so indemnified by the Institution, and to deliver at the request of the Authority any further instrument or instruments in form satisfactory to the Authority as in the reasonable judgment of the Authority may be necessary to effectuate more fully the provisions of this paragraph (a); provided, however, that (i) the indemnity provided in this sentence shall be effective only to the extent of any loss or liability that may be sustained by the Authority in excess of net proceeds received from any insurance carried with respect to such loss or liability and (ii) the Authority and the Institution shall each provide waiver of rights of subrogation against the other in any insurance coverage obtained relating to the Project. The indemnity provided for such parties by this paragraph (a) shall be in addition to and not limited by any of the provisions of paragraph (b) below or any provisions of the Loan Agreement relating to the Institution's maintenance of insurance, taxes and assessments; provided, however, that, to the extent the Authority receives indemnification pursuant to such provisions, the Authority shall not be entitled to additional indemnification pursuant to this paragraph (a).

(b) The Institution agrees, to the extent permitted by law, to indemnify and hold harmless the Authority, any member, officer, official, employee, counsel, consultant and agent of the Authority, each and any purchaser of Bonds whose name is set forth in a contract of purchase between any such purchaser or purchasers and the Authority providing for the sale of Bonds by the Authority or on a bid submitted at public sale for the purchase of Bonds and each person, if any, who controls any such purchaser within the meaning of Section 15 of the Securities Act of 1933, as amended (all such parties being collectively called the "Indemnified Parties") against any and all losses, claims, damages, liabilities or expenses whatsoever, joint or several, insofar as such losses, claims, damages, liabilities or expenses (or actions in respect thereof) are caused by, arise out of or are based upon any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact relating to the Institution, the Project or the use of proceeds of the Bonds made, provided or certified by the Institution or any agent thereof and contained in an official statement, or other offering document, or any amendment thereof or supplement thereto, relating to the Bonds offered for sale thereby, or caused by, arising out of or based upon any omission or alleged omission from such an official statement, or any amendment thereof or supplement thereto, of any material fact relating to the Institution or the Project or the use of proceeds of the Bonds necessary in order to make the statements made therein in the light of the circumstances under which they were made not misleading.

(c) In case any action shall be brought in respect of which indemnity may be sought against the Institution pursuant the provisions of the Loan Agreement summarized under this caption, any person seeking indemnity under the provisions of the Loan Agreement summarized under this caption shall promptly notify the Institution in writing, and the Institution shall promptly assume the defense thereof, including the employment of counsel and the payment of all expenses; provided, however, that the Institution shall have the right to negotiate and consent to settlement and that it shall be the duty of such person to cooperate with the Institution in asserting such defense and in reaching such settlement. Any such person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such person unless the employment of such counsel has been specifically authorized by the Institution. The Institution shall not be liable for any settlement of any such action effected without its consent, but if settled with the consent of the Institution or if there be a final judgment for the plaintiff in any such action with or without the Institution's consent, the Institution agrees to indemnify and hold harmless such person from and against any loss or liability by reason of such settlement or judgment in accordance with the provisions of the Loan Agreement summarized under this caption.

(Section 30)

Defaults and Remedies.

(a) As used in the Loan Agreement, the term "Event of Default" shall mean:

(i) the Institution shall (A) default in the timely payment of any amount payable as described under the heading "Financial Obligations" (other than as described in paragraphs 9(a)(i), 9(a)(ii) or 9(a)(xii) thereof) or the payment of any other amounts required to be delivered or paid by or on behalf of the Institution in accordance with the Loan Agreement, the Series Resolution or with the Resolution, and such default continues for a period in excess of seven (7) days or (B) default in the timely payment of any amount payable as described under the heading "Financial Obligations" in paragraphs 9(a)(i), 9(a)(ii), or 9(a)(xii) thereof; or

(ii) the Institution defaults in the due and punctual performance of any other covenant in the Loan Agreement contained and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Institution by the Authority or the Trustee or, if such default is not capable of being cured within thirty (30) days, the Institution fails to commence within said thirty (30) days to cure the same and to diligently prosecute the cure thereof; or

(iii) as a result of any default in payment or performance required of the Institution under the Loan Agreement or any other Event of Default under the Loan Agreement, whether or not declared, continuing or cured, the Authority shall be in default in the payment or performance of any of its obligations under the Resolution or an "event of default" (as defined in the Resolution) shall have been declared under the Resolution so long as such default or event of default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof or

(iv) the Institution shall (A) be generally not paying its debts as they become due, (B) file, or consent by answer or otherwise to the filing against it of, a petition under the United States Bankruptcy Code or under any other bankruptcy or insolvency law of any jurisdiction, (C) make a general assignment for the benefit of its general creditors, (D) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (E) be adjudicated insolvent or be liquidated or (F) take corporate action for the purpose of any of the foregoing; or

(v) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Institution, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Institution, or any petition for any such relief shall be filed against the Institution and such petition shall not be dismissed or stayed within ninety (90) days; or

(vi) the charter of the Institution shall be suspended or revoked; or

(vii) a petition to dissolve the Institution shall be filed by the Institution with the Board of Regents, the legislature of the State or other governmental authority having jurisdiction over the Institution; or;

(viii) an order of dissolution of the Institution shall be made by the Board of Regents, the legislature of the State or other governmental authority having jurisdiction over the Institution, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days; or

(ix) a petition shall be filed with a court having jurisdiction for an order directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to the Institution which petition shall remain undismissed or unstayed for an aggregate of thirty (30) days; or

(x) an order of a court having jurisdiction shall be entered directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order shall remain undismissed or unstayed for the earlier of (A) three (3) business days prior to the date provided for in such order for such sale, disposition or distribution or (B) an aggregate of thirty (30) days from the date such order shall have been entered; or

(xi) a final judgment for the payment of money, which is not covered by insurance or reserves set aside by the Institution, which in the judgment of the Authority will adversely affect the rights of the Holders of the Bonds shall be rendered against the Institution and at any time after thirty (30) days from the entry thereof, (A) such judgment shall not have been discharged or paid, or (B) the Institution shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within thirty (30) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal; or

(xii) the Institution shall be in default in connection with any indebtedness secured by the Pledged Revenues and as a consequence thereof such indebtedness has been or is capable of being declared immediately due and payable.

(b) Upon the occurrence of an Event of Default the Authority may take any one or more of the following actions:

(i) declare all sums payable by the Institution under the Loan Agreement immediately due and payable;

(ii) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of Bonds or the Construction Fund or otherwise to which the Institution may otherwise be entitled under the Loan Agreement and in the Authority’s sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

(iii) withhold any or all further performance under the Loan Agreement;

(iv) maintain an action against the Institution under the Loan Agreement to recover any sums payable by the Institution or to require its compliance with the terms of the Loan Agreement;

(v) realize upon any pledge of or security interest in the Pledged Revenues and the rights to receive the same, all to the extent provided in the Loan Agreement by any one or more of the following actions: (A) enter the Institution and examine and make copies of the financial books and records of the Institution relating to the Pledged Revenues and take possession of all checks or other orders for payment of money and moneys in the possession of the Institution representing Pledged Revenues or proceeds thereof; (B) notify any account debtors obligated on any Pledged Revenues to make payment directly to the Authority or to the Trustee, as the Authority may direct, and of the amount to be so paid; provided, however, that (1) the Authority may, in its discretion, immediately collect the entire amount of interest, principal, or Sinking Fund Installments, if any, coming due on Outstanding Bonds on the next interest payment date therefor, and may continue to do so commencing on each such interest payment date to the extent of amounts due on Outstanding Bonds on the next interest payment date therefor, with respect to the Pledged Revenues, until such amounts are fully collected, (2) written notice of such notification shall be mailed to the Institution five (5) days prior to mailing or otherwise making such notification to account debtors and (3) until the Institution shall receive such notice it shall have full authority and responsibility to enforce and collect Pledged Revenues owing from its account debtors; (C) following the above mentioned notification to account debtors, collect, compromise, settle, compound or extend amounts payable as Pledged Revenues which are in the form of accounts receivable or contract rights from the Institution's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Institution whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority; (D) require the Institution to deposit all moneys, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned under the Loan Agreement within five (5) business days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Authority; provided, however, that (1) the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Institution under the Loan Agreement, including the fees and expenses of the Authority, (2) the Authority in its sole discretion may authorize the Institution to make withdrawals from such fund or account for its corporate purposes and (3) the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Institution when all Events of Default under the Loan Agreement by the Institution have been cured; (E) forbid the Institution to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (F) endorse in the name of the Institution any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof;

(vi) to the extent permitted by law and as applicable, (A) enter upon the Project and complete the construction thereof in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Project, all at the risk, cost and expense of the Institution, consent to such entry being hereby given by the Institution, (B) at any time discontinue any work commenced in respect of the construction of the Project or change any course of action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (C) assume any construction contract made by the Institution in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institution, whether or not previously incorporated into the construction of such Project, and (D) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of this subparagraph (vi), (1) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (2) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of the Authority applicable to the construction of such Project, or which have been or may be incurred in any manner in connection with completing the construction of the Project or for the discharge of liens, encumbrances or defects in the title to the Project or against any moneys of the Authority applicable to the construction of such Project, and (3) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be liable to the Authority for all sums paid or incurred for construction of the Project whether the same shall be paid or incurred pursuant to the provisions of this subparagraph (vi) or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. The Institution irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution for the purpose of exercising the rights granted to the Authority by this subparagraph (vi) during the term of the Loan Agreement;

(vii) Reserved;

(viii) Reserved; and

(ix) realize upon any security interest in the fixtures, furnishings and equipment, including any one or more of the following actions: (i) enter the Project and take possession of any such fixtures, furnishings and equipment; or (ii) sell, lease or otherwise dispose of any such fixtures, furnishings and equipment, whether or not possession has been secured; provided, however, that if sold, leased or otherwise disposed of separately, such sale, lease or other disposition shall be in a commercially reasonable manner and upon five (5) days' prior written notice to the Institution of the time and place of such sale.

All rights and remedies in the Loan Agreement given or granted to the Authority are cumulative, nonexclusive and in addition to any and all rights and remedies that the Authority may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy shall effect a waiver of the Authority's right to exercise such remedy thereafter.

At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul any declaration made as described in paragraph (b) of this heading "Defaults and Remedies" and its consequences if such Event of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

(Section 31)

Arbitrage; Tax Exemption

Each of the Institution and the Authority covenants that it shall take no action, nor shall it approve the Trustee taking any action or making any investment or use of the proceeds of the Bonds, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use.

Neither the Institution nor any "related person" (as such term is defined for purposes of Section 148 of the Code) shall purchase any Series 2014 Bonds other than for delivery to and cancellation by the Trustee, unless the Trustee shall receive an opinion of Bond Counsel to the effect that the purchase by the Institution or by a related person of Series 2014 Bonds will not cause interest on the Series 2014 Bonds to be included in the gross income of the owners of the Series 2014 Bonds for purposes of federal income taxation.

The Institution covenants that it will not take any action or fail to take any action which would cause any representation or warranty of the Institution contained in the Tax Certificate then to be untrue and shall comply with all covenants and agreements of the Institution contained in the Tax Certificate, in each case to the extent required by and otherwise in compliance with such Tax Certificate.

The Authority has undertaken full responsibility for performing rebate calculations that may be required from time to time with respect to the Bonds. Upon request, the Institution covenants that it will provide such information not in the Authority's possession as the Authority deems necessary to calculate the yield on the Bonds and to comply with the arbitrage and rebate requirements of the Code, and any other information as may be necessary to prepare the rebate calculation to the Authority or an entity which the Authority has designated no less than once a year measured from the date of issuance of the Bonds. The Institution shall be obligated to pay the costs in connection therewith in accordance with the Loan Agreement. The Authority shall retain in its possession, so long as required by the Code, copies of all documents, reports and computations made by it in connection with the calculation of excess earnings and the rebate of all or a portion thereof to the Department of the Treasury of the United States of America, which shall be subject at all reasonable times to the inspection of the Institution and its agents and representatives, any of whom may make copies thereof. Upon written request from the Institution, the Authority shall as soon as practicable provide the Institution with a copy of such documents, reports and computations.

(Section 36)

Consultation with the Institution

(a) The Authority agrees that it will consult with the Institution prior to (i) giving any direction for the deposit or application of voluntary payments pursuant to the terms of the Loan Agreement, (ii) giving any notice to the Trustee of its election to redeem Bonds or of the Bonds to be redeemed pursuant to the Resolution and (iii) rebating any moneys to the Department of the Treasury of the United States of America; provided, however, that such consultation shall not be a condition precedent to any action to be taken by the Trustee pursuant to a direction of, or upon receipt of a notice from, the Authority, and failure to so consult with the Institution shall not affect the validity of any proceedings for the redemption of the Bonds or of any other action taken by the Trustee pursuant to such direction or upon receipt of such notice.

(b) The Authority shall retain in its possession, so long as required by the Code, copies of all documents, reports and computations made by it in connection with the calculation of earnings on the gross proceeds of the Bonds, as determined in accordance with the Code, and the rebate of all or a portion thereof to the Department of the Treasury of the United States of America, which shall be subject at all reasonable times to the inspection of the Institution and its agents and representatives, any of whom may make copies thereof. Upon written request from the Institution the Authority shall as soon as practicable provide the Institution with a copy of such documents, reports and computations.

(c) In the event that the Authority is notified in writing that the Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the Institution. In the event that the Institution is notified in writing that the Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the Authority. Upon the occurrence of such an event, the Institution and the Authority shall fully cooperate with one another and participate in all aspects of the conduct of the response thereto.

(Section 38)

Termination

The Loan Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the Institution shall have been made or provision made for the payment thereof; provided, however, that the liabilities and the obligations of the Institution under certain provisions of the Loan Agreement and to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant to the Loan Agreement shall nevertheless survive any such termination. Upon such termination, the Authority shall promptly deliver such documents as may be reasonably requested by the Institution to evidence such termination and the discharge of the Institution's duties under the Loan Agreement, including the release or surrender of any security interests granted by the Institution to the Authority pursuant to the Loan Agreement.

(Section 45)

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

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SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTIONS

The following is a summary of certain provisions of the Resolutions pertaining to the Bonds. Such summary does not purport to be complete and reference is made to the Resolutions for full and complete statements of each of their provisions. Defined terms used in this Appendix shall have the meanings ascribed to them in Appendix A. Unless otherwise indicated, references to section numbers herein refer to sections in the Resolutions.

Resolutions and Bonds Constitute a Contract

It is the intent of the Resolutions to authorize the issuance by the Authority, from time to time, of its (a) Comsewogue Public Library Revenue Bonds, (b) Rogers Memorial Library Company Revenue Bonds, or (c) Smithtown Special Library District Revenue Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and, inter alia, to be separately secured from each other Series of Bonds. Each such Series of Bonds shall be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the respective Series Resolution authorizing such Series of Bonds. With respect to each Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of a Series authorized to be issued under the Resolutions and under a Series Resolution by those who shall hold or own the same from time to time, the Resolutions and such Series Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of the Bonds of a Series, and the pledge and assignment made in the Resolutions and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any Bonds of such Series over any other Bonds of such Series except as expressly provided in the Resolutions or permitted by the Resolutions or by a Series Resolution.

(Section 1.03)

Refunding Bonds and Additional Obligations

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, one or more Series of Outstanding Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds. The Authority may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolutions and of the Series Resolution authorizing such Series of Refunding Bonds.

The proceeds, including accrued interest, of Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or as determined in accordance with the Series Resolution authorizing or Bond Series Certificate relating to such Refunding Bonds.

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Resolutions, entitled to a charge, lien or right prior or equal to the charge or lien created by the Resolutions and pursuant to a Series Resolution, or prior or equal to the rights of the Authority and Holders of Bonds of a Series; provided, however, that this paragraph shall not prohibit the Institution from incurring Parity Indebtedness.

(Sections 2.04 and 2.05)

Pledge of Revenues

The proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues and, except as otherwise provided in the Resolutions, all funds and accounts established by the Resolutions, other than the Arbitrage Rebate Fund, are, subject to the adoption of a Series

Resolution, pledged and assigned to the Trustee as security for the payment of the principal and Redemption Price of and interest on such Series of Bonds, all in accordance with the provisions of the Resolutions and such Series Resolution. The pledge of the applicable Revenues and the assignment of the Authority's security interest in the applicable Pledged Revenues shall also be for the benefit of the applicable Facility Provider as security for the payment of any amounts payable to such Facility Provider under the Resolutions; provided, however, that, except as otherwise provided in the applicable Series Resolution or Bond Series Certificate, such pledge and assignment shall, in all respects, be subject and subordinate to the rights and interest therein of the Bondholders of such Series of Bonds. The pledge made by the Resolutions shall relate only to the Bonds of a Series authorized by such Series Resolution and no other Series of Bonds and such pledge shall not secure any such other Series of Bonds. The pledge made by the Resolutions is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues and all funds and accounts established by the Resolutions and by a Series Resolution which are pledged by the Resolutions shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Series shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues and the funds and accounts established by the Resolutions and pursuant to a Series Resolution and which are pledged by the Resolutions as provided therein, which pledge shall constitute a first lien thereon, subject only to the applicable Prior Pledges and any parity lien on Pledged Revenues (excluding the Project Levy) securing Parity Indebtedness.

(Section 5.01)

Establishment of Funds and Accounts

Unless otherwise provided by a Series Resolution, the following funds are authorized to be established and shall be held and maintained for each Series of Bonds by the Trustee separate and apart from any other funds established and maintained pursuant to any other Series Resolution:

Construction Fund;

Debt Service Fund; and

Arbitrage Rebate Fund.

Accounts and subaccounts within each of the foregoing funds may from time to time be established in accordance with a Series Resolution, a Bond Series Certificate or upon the direction of the Authority. All moneys at any time deposited in any fund, account or subaccount created and pledged by the Resolutions or by a Series Resolution or required thereby to be created shall be held in trust for the benefit of the Holders of Bonds of a Series, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolutions, unless otherwise provided in the applicable Series Resolution; provided, however, that any Debt Service Reserve Fund established by or pursuant to a Series Resolution, the amounts held therein and amounts derived from any Reserve Fund Facility related thereto, shall not be held in trust for the benefit of the Holders of Bonds other than the Bonds of the Series secured thereby as provided in such Series Resolution and are pledged solely thereto and no Holder of the Bonds of any other Series shall have any right or interest therein.

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

Upon the receipt of proceeds from the sale of a Series of Bonds, the Authority shall apply such proceeds as specified in the Resolutions and in the Series Resolution authorizing such Series or in the Bond Series Certificate relating to such Series.

Accrued interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series.

(Section 5.03)

Application of Moneys in the Construction Fund

As soon as practicable after the delivery of a Series of Bonds, the Trustee shall deposit in the Construction Fund the amount required to be deposited therein pursuant to the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series. In addition, the Authority shall pay over to the Trustee and the Trustee shall deposit in the Construction Fund any moneys paid to the Authority for the acquisition, construction, reconstruction, renovation or equipment of any Project. The Trustee shall also deposit in the Construction Fund all amounts paid to it by the Institution which by the terms of the applicable Loan Agreement are required to be deposited therein.

(a) Except as otherwise provided in the Resolutions and in any applicable Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund shall be used only to pay the Costs of Issuance and the Costs of the Project with respect to such Series of Bonds or for refunding other notes or bonds of the Authority the proceeds of which were applied to making a loan to the Institution. For purposes of internal accounting, the Construction Fund may contain one or more further subaccounts, as the Authority or the Trustee may deem proper.

(b) Payments for Costs of Issuance shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification, and the respective amounts of each such payment. Payments for Costs of each Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer of the Authority, (which certificate shall, to the extent that the Institution has undertaken the primary responsibility for the construction of such Project or any portion thereof, be substantiated by a certificate filed with the Authority signed by an Authorized Officer of the Institution naming the Project in connection with which payment is to be made and describing in reasonable detail the purpose for which moneys were used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of such Project), except that payments to pay interest on Bonds of a Series shall be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of the Authority directing the Trustee to transfer such amount from the Construction Fund to the Debt Service Fund.

(c) Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or the Institution with respect to a Project shall be deposited in the Construction Fund and, if necessary, such fund may be re-established for such purpose.

(d) A Project shall be deemed to be complete upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Institution, which certificate shall be delivered as soon as practicable after the date of completion of such Project, or upon delivery to the Institution and the Trustee of a certificate signed by an Authorized Officer of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate shall state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy or use, and, in the case of a certificate of an Authorized Officer of the Institution, shall specify the date of completion.

Upon receipt by the Trustee of a certificate relating to the completion of a Project, the moneys, if any, then remaining in the Construction Fund relating to such Project, after making provision in accordance with the direction of an Authorized Officer of the Authority for the payment of any Costs of Issuance and Costs of the Project in connection with such Project which are then unpaid, shall be paid or applied by the Trustee as follows and in the following order of priority:

First: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund, the amount set forth in such direction;

Second: To the Debt Service Reserve Fund, if any, such amount as shall be necessary to make the amount on deposit in such fund equal to the applicable Debt Service Reserve Fund Requirement, if any; and

Third: To the Debt Service Fund, to be applied in accordance with the terms of the Resolutions, any balance remaining.

(Section 5.04)

Deposit of Revenues and Allocation Thereof

The Revenues and any other moneys, which, by any of the provisions of a Loan Agreement or the Collection Agreement, are required to be paid to the Trustee, shall upon receipt thereof be deposited or paid by the Trustee in the following order of priority:

First: To the Debt Service Fund, unless otherwise provided in the applicable Series Resolution or Bond Series Certificate, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on and the principal and Sinking Fund Installments of Outstanding Bonds of a Series payable on and prior to the next succeeding July 1, and (b) the purchase price or Redemption Price of Outstanding Bonds of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the Resolutions, plus accrued interest thereon to the date of purchase or redemption;

Second: To reimburse each Facility Provider for Provider Payments which are then unpaid the respective Provider Payments and to replenish each Debt Service Reserve Fund, if any, to its respective Debt Service Reserve Fund Requirement, pro rata, in proportion to the amount the respective Provider Payments then unpaid to each Facility Provider and the amount of the deficiency in each Debt Service Reserve Fund bears to the aggregate amount of Provider Payments then unpaid and deficiencies in the respective Debt Service Reserve Funds;

Third: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund the amount set forth in such direction;

Fourth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority relating to such Series for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolutions, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of a Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the applicable Loan Agreement or Mortgage in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph Fourth.

The Trustee shall, promptly after making the above required payments, notify the Authority and the Institution of any balance of Revenues remaining on the immediately succeeding July 1. After making the above required payments, the balance, if any, of the Revenues then remaining shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Construction Fund or the Debt Service Fund, or paid to the Institution, in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created by the Resolutions.

(Section 5.05)

Debt Service Fund

(a) The Trustee shall on or before the Business Day preceding each interest payment date pay to itself and any other Paying Agent out of the Debt Service Fund:

(i) the interest due and payable on all Outstanding Bonds of a Series on such interest payment date;

(ii) the principal amount due and payable on all Outstanding Bonds of a Series on such interest payment date; and

(iii) the Sinking Fund Installments, if any, due and payable on all Outstanding Bonds of a Series on such interest payment date.

The amounts paid out pursuant to this heading shall be irrevocably pledged to and applied to such payments.

(b) Notwithstanding the provisions of paragraph (a) above, the Authority may, at any time subsequent to the first day of July of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds of a Series to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond purchased by the Institution and delivered to the Trustee in accordance with the applicable Loan Agreement shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date; provided, however, that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

(c) Moneys in the Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds of a Series payable on and prior to the next succeeding July 1, the interest on Outstanding Bonds of a Series payable on and prior to the earlier of the next succeeding January 1 or July 1, and the purchase price or Redemption Price of Outstanding Bonds of a Series theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of a Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Debt Service Fund, such moneys shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority given pursuant to the provisions of the Resolutions to the redemption of Bonds of a Series as provided in the Resolutions, at the Redemption Prices specified in the Series Resolution authorizing the issuance of the Bonds to be redeemed or the Bond Series Certificate relating to such Bonds.

(Section 5.06)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Institution for deposit therein and, notwithstanding any other provisions of the Resolutions, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in any other funds held by the Trustee under the Resolutions at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the

United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall be deposited to any fund or account established under the Resolutions in accordance with the written direction of such Authorized Officer.

The Authority shall periodically determine the amount which may be required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to a Series of Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the Resolutions and deposit to the Arbitrage Rebate Fund such amount as the Authority shall have determined to be necessary in order to enable it to comply with its obligation to rebate moneys to the Department of the Treasury of the United States of America with respect to such Series of Bonds and (ii) if and to the extent required by the Code, pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.07)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolutions, if at any time (i) the amounts held in the Debt Service Fund and the Debt Service Reserve Fund, if applicable, are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of a Series and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, (ii) the amounts held in the Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Series secured thereby and the interest accrued and unpaid and to accrue on such Bonds to the next date on which such Bonds may be redeemed or (iii) in either case, to make provision pursuant to the terms of the Resolutions for the payment of such Outstanding Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority and the Institution. Upon receipt of such notice, the Authority may (i) direct the Trustee to redeem all such Outstanding Bonds of a Series, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolutions and by a Series Resolution as provided in the Resolutions, or (ii) give the Trustee irrevocable instructions in accordance with the terms of the Resolutions and make provision for the payment of such Outstanding Bonds at the maturity or redemption dates thereof in accordance with such instruction.

(Section 5.08)

Investment of Funds and Accounts Held by the Trustee

(a) Money held under the Resolutions by the Trustee shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority, signed by an Authorized Officer of the Authority (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations or Exempt Obligations; provided, however, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolutions.

(b) In lieu of the investments of money in obligations authorized in paragraph (a) of this heading, the Trustee shall, upon direction of the Authority, signed by an Authorized Officer of the Authority, invest money in the Construction Fund or Debt Service Reserve Fund in any Permitted Investment; provided, however, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolutions, provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

(c) Permitted Investments purchased as an investment of money in any fund or account held by the Trustee under the provisions of the Resolutions shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

(d) In computing the amount in any fund or account held by the Trustee under the provisions of the Resolutions, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower.

(e) Notwithstanding anything to the contrary in the Resolutions, the Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolutions and the proceeds thereof may be reinvested as provided in this heading. Except as otherwise provided in the Resolutions, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolutions whenever it shall be necessary in order to provide money to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority and the Institution in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolutions and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolutions as of the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (a), (b) and (c) of this heading. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

(f) No part of the proceeds of a Series of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond of a Series to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(Section 6.02)

Creation of Liens

Except as permitted under the Resolutions or by a Series Resolution the Authority shall not create, cause to be created or suffer or permit the creation of any lien or charge prior or equal to that of the Bonds of a Series on the proceeds from the sale of such Bonds, the Revenues pledged for such Series of Bonds, the Pledged Revenues or the funds and accounts established by the Resolutions or by a Series Resolution which are pledged by the Resolutions; provided, however, that nothing contained in the Resolutions shall prevent the Authority from issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolutions; and provided, further, however, that nothing contained in the Resolutions shall prevent the Institution from incurring Parity Indebtedness.

(Section 7.06)

Amendment of Loan Agreement

(a) A Loan Agreement may, without the consent of the Holders of Bonds of the applicable Series, be amended, changed, modified or supplemented for any one or more purposes:

(i) to add an additional covenant or agreement for the purpose of further securing the payment of the Institution's obligations under such Loan Agreement that is not contrary to or inconsistent with the covenants and agreements of the Institution contained in such Loan Agreement;

(ii) to prescribe further limitations and restrictions upon the Institution's right to incur, issue, assume or guaranty indebtedness that are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(iii) to surrender any right, power or privilege reserved to or conferred upon the Institution, if surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Institution contained in such Loan Agreement; provided, however, that if the same would adversely affect the rights of a Facility Provider, no amendment, change, modification, termination or waiver shall become effective until consented to in writing by the Facility Provider affected thereby;

(iv) to make changes necessary or appropriate in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping of a Project, to amend the description of a Project, to add an additional Project to such Loan Agreement or to account for the issuance of Refunding Bonds or other obligations of the Authority refinancing the debt incurred by the Authority to generate the amounts loaned to the Institution under the Loan Agreement;

(v) to amend such Loan Agreement to establish, amend or modify the Authority Fee or the Annual Administrative Fee payable by the Institution in connection with the Bonds of a Series; or

(vi) with the prior written consent of the Trustee to cure any ambiguity, or to correct or supplement any provisions contained in such Loan Agreement which may be defective or inconsistent with any other provisions contained in the Resolutions or in such Loan Agreement or to amend, modify or waive any other provision of such Loan Agreement provided that the same does not adversely affect the interests of the Bondholders of such Series of Bonds in any material respect.

(b) Notwithstanding the provisions of paragraph (a) above, a Loan Agreement may not be amended, changed, modified or terminated, nor may any provision thereof be waived, without the consent of the Holders of Outstanding Bonds of the applicable Series, as hereinafter provided, if such amendment, change, modification, termination or waiver (i) reduces the amount payable by the Institution under such Loan Agreement on any date or delays the date on which payment is to be made, (ii) modifies the events which constitute "Events of Default" under such Loan Agreement, (iii) diminishes, limits or conditions the rights or remedies of the Authority under such Loan Agreement upon the occurrence of an "Event of Default" thereunder, or (iv) adversely affects the rights of the Bondholders of such Series of Bonds in any material respect. No such amendment, change, modification, termination or waiver shall take effect without the prior written consent of the Holders of at least a majority in principal amount of the Bonds of such Series then Outstanding.

(c) No amendment, change, modification or termination of a Loan Agreement, or waiver of a provision thereof shall be made other than pursuant to a written instrument signed by the parties thereto. No such amendment, change, modification or waiver shall become effective unless there has been delivered to the Trustee an opinion of Bond Counsel to the effect that the same is not inconsistent with the Resolutions and will not adversely affect the exclusion of interest on a Bond of a Series from gross income for purposes of federal income taxation. A copy of each such amendment, change, modification, termination or waiver shall be filed with the Trustee.

(d) For the purposes of this heading, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to an amendment, change, modification, alteration or termination permitted under this heading in the manner provided in the Resolutions, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds of a Series; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the amendment, change, modification, alteration or termination and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series.

For the purposes of this heading, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the applicable Loan Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of a Series would be adversely affected in any material respect by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the Institution, the Authority and all Holders of Bonds of such Series.

For all purposes of this heading, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds of a Series then Outstanding in any material respect.

(Section 7.11)

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Resolutions, the Authority may without the consent of the Holders of the Bonds Outstanding adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

(a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolutions and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of a Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolutions;

(c) To prescribe further limitations and restrictions upon the issuance of Bonds of a Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolutions, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained the Resolutions;

(e) To confirm, as further assurance, any pledge under the Resolutions or under a Series Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolutions, or any Series Resolution, of the Revenues, or any pledge of any other moneys, securities or funds;

(f) To modify any of the provisions of the Resolutions or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of a Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds of such Series issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions; or

(g) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolutions or to insert such provisions clarifying matters or questions arising under the Resolutions as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolutions as theretofore in effect, or to modify any of the provisions the Resolutions or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders of a Series in any material respect.

(Section 9.01)

Supplemental Resolutions Effective with Consent

The provisions of the Resolutions or of a Series Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Holders of a Series of Bonds in accordance with and subject to the provisions of the Resolutions, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority. The Trustee shall transmit a copy of such Supplemental Resolution to the Institution upon its becoming effective.

(Section 9.02)

Events of Default

An event of default shall exist under the Resolutions and under a Series Resolution (herein called "Event of Default") if:

(a) With respect to a Series of Bonds, payment of the principal, Sinking Fund Installments or Redemption Price of any such Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) With respect to a Series of Bonds, payment of an installment of interest on any such Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to a Series of Bonds, the Authority shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to a Series of Bonds, the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolutions or in the Bonds of such Series or in a Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series, or if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or

(e) With respect to a Series of Bonds, the Authority shall have notified the Trustee that an "Event of Default" as defined in the applicable Loan Agreement, arising out of or resulting from the failure of the Institution to comply with the requirements of such Loan Agreement shall have occurred and is continuing and all sums payable by the Institution under such Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any Event of Default specified in the Resolutions, other than an Event of Default specified in paragraph (c) under the heading "Event of Default," then and in every such case the Trustee upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series shall, by notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds of such Series to be due and payable. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolutions or in a Series Resolution or in the Bonds of a Series to the contrary notwithstanding. At any time after the principal of the Bonds of a Series shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolutions, the Trustee may, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of such Series of Bonds not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds of such Series (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolutions and under a Series Resolution (other than principal amounts payable only because of a declaration and acceleration described under this heading) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolutions or in such Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration described under this heading) shall have been remedied to the reasonable satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any Event of Default specified in the Resolutions, then and in every such case, the Trustee may proceed, and upon the written request of the applicable Facility Provider or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series, shall proceed (subject to the provisions of the Resolutions relating to the compensation of the Trustee) to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Resolutions or under the applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolutions or under any Series Resolution or in aid or execution of any power in the Resolutions or in any Series Resolution granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolutions and under a Series Resolution the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolutions or of a Series Resolution or of a Series of Bonds, with interest on overdue payments of the principal of or interest on such Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolutions and under a Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolutions, in a Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Priority of Payment After Default

If at any time the moneys held by the Trustee under the Resolutions and under a Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds of a Series as the same become due and payable (either by their terms or by acceleration of maturity), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies described under this heading or otherwise, shall be applied (after first depositing in the Arbitrage Rebate Fund all amounts required to be deposited therein and then paying all amounts owing to the Trustee under the Resolutions) as follows:

(a) Unless the principal of all the Bonds of a Series has become or been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds of such Series which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all such amounts due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) Unless otherwise provided in a Series Resolution, if the principal of all of the Bonds of a Series has become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond of such Series over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in such Bonds.

The provisions of this heading are in all respects subject to the provisions of the Resolutions describing extension of payment of Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Resolutions described under this heading, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for application in accordance with the provisions of the Resolutions shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Holder of Bonds of a Series or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolutions as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

Amounts held by the Trustee after payments to be made pursuant to the Resolutions have been made and no Bonds of such Series are Outstanding shall be paid and applied in accordance with the Resolutions.

(Section 11.05)

Bondholders' Direction of Proceedings

Anything in the Resolutions to the contrary notwithstanding, the Holders of not less than a majority in principal amount of the Outstanding Bonds of a Series shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolutions and under a Series Resolution, provided, such direction shall not be otherwise than in accordance with law and the provisions of the Resolutions and of such Series Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 11.07)

Limitation of Rights of Individual Bondholders

A Holder of any of the Bonds of a Series shall not have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolutions, or for any other remedy under the Resolutions unless such Holder previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolutions or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolutions or for any other remedy under the Resolutions and in equity or at law. It is understood and intended that no one or more Holders of the Bonds of a Series secured by the Resolutions and by a Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolutions or to enforce any right under the Resolutions except in the manner provided in the Resolutions, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolutions, the Holder of any Bond of a Series shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

(a) If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolutions, and in the applicable Series Resolution and Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds and all other rights granted by the Resolutions to such Series of Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or other securities held by it pursuant to the Resolutions and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each such Facility Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution. Such moneys or securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolutions or by the applicable Loan Agreement.

(b) Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above. All Outstanding Bonds of a Series or any maturity within such Series or a portion of a maturity within such Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolutions notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will, as verified by the report of a firm of independent certified public accountants, provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds of a Series on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series and maturity the payment of which is to be made in accordance with this paragraph. The Trustee shall select which Bonds of such Series and maturity payment of which shall be made in accordance with this paragraph in the manner provided in the Resolutions. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; provided, however, that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be; provided, further, that money and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which without regard to reinvestment, together with the money, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolutions or by the applicable Loan Agreement.

(c) Anything in the Resolutions to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for one (1) year after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds of such Series become due and payable, or one (1) year after the date when the principal or Redemption Price of or interest on the Bonds for which said moneys is held was due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(Section 12.01)

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FORM OF CONTINUING DISCLOSURE AGREEMENT

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AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
[NAME OF LIBRARY] REVENUE BONDS, SERIES 2016

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the "Disclosure Agreement"), dated as of March 2, 2016, is executed and delivered by the Dormitory Authority of the State of New York (the "Issuer" or "DASNY"), __________ (the "Obligated Person"), U.S. Bank National Association, as Trustee (the "Trustee") and Digital Assurance Certification, L.L.C. ("DAC"), as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute "advice" within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer, the Obligated Person or anyone on the Issuer's or the Obligated Person's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Resolution (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"Disclosure Dissemination Agreement" means that agreement, dated January 31, 2005, as amended to the date hereof, by and between the Disclosure Dissemination Agent and the Issuer pursuant to which disclosure dissemination services are to be provided by the Disclosure Dissemination Agent.

"Disclosure Representative" means the chief financial officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Obligated Person's failure to file an Annual Report on or before the Annual Filing Date.

"Force Majeure Event" means: (i) acts of God, war or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access System maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"Issuer" means the Dormitory Authority of the State of New York, as conduit issuer of the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the United States Securities Exchange Act of 1934, as amended.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer and the Obligated Person in connection with the Bonds, as listed on Exhibit A.

"Resolution" means DASNY's bond resolution(s) pursuant to which the Bonds were issued.

"Trustee" means U.S. Bank National Association and its successors and assigns.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Obligated Person shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy each for the Issuer and the Trustee, not later than 180 days after the end of each fiscal year of the Obligated Person (or any time thereafter following a Failure to File Event as described in this Section), commencing with the fiscal year ending [December 31, 2015][June 30, 2016], such date and each anniversary thereof, the "Annual Filing Date." Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide the Annual Report to the MSRB through its Electronic Municipal Market Access ("EMMA") System for municipal securities disclosures. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Issuer, to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall, not later than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information, Audited Financial Statements, if available, and unaudited financial statements, if audited financial statements are not available in accordance with subsection (d) below and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Issuer and the Trustee, that a Failure to File Event may occur, state the date by which the Annual Financial Information and Audited Financial Statements for such year are expected to be provided, and, at the election of the Obligated Person, instruct the Disclosure Dissemination Agent to send a notice to the MSRB in substantially the form attached as Exhibit B on the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Obligated Person hereby irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited financial statements for filing prior to the Annual Filing Date in accordance with Section 3(b) hereof and, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy each for the Issuer and the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to the Section 4(c) of this Disclosure Agreement:

1. Principal and interest payment delinquencies;
2. Non-Payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, IRS notices or events affecting the tax status of the securities;
7. Modifications to rights of securities holders, if material;
8. Bond calls, if material;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Ratings changes;
12. Tender offers;
13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
14. Merger, consolidation, or acquisition of the Obligated Person, if material; and
15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"
2. "change in obligated person;"
3. "notice to investors pursuant to bond documents;"
4. "certain communications from the Internal Revenue Service;"

5. “secondary market purchases;”

6. “bid for auction rate or other securities;”

7. “capital or other financing plan;”

8. “litigation/enforcement action;”

9. “change of tender agent, remarketing agent, or other on-going party;”

10. “derivative or other similar transaction;” and

11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”

2. “change in fiscal year/timing of annual disclosure;”

3. “change in accounting standard;”

4. “interim/additional financial information/operating data;”

5. “budget;”

6. “investment/debt/financial policy;”

7. “information provided to rating agency, credit/liquidity provider or other third party;”

8. “consultant reports;” and

9. “other financial/operating data;”

(viii) provide the Obligated Person and the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Issuer, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to the Obligated Person which shall include operating data and financial information of the type included in the Official Statement for the Bonds as described in "Appendix B-__–Certain Financial and Economic Information on [Library]" under the subheading "Valuations, Tax Rates and Levies," together with a narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an "obligated person" (as defined by the Rule), which have been previously filed the Securities and Exchange Commission or available from the MSRB Internet Website. If the document incorporated by reference is a Final Official Statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the securities or other material events affecting the tax status of the securities;

7. Modification to rights of the security holders, if material;

8. Bond calls, if material;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Tender Offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

    Note to subsection (a)(13) of this Section 4: For the purposes of the event described in subsection (a)(13) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

14. The consummation of a merger, consolidation or acquisition involving the Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify DASNY, the Trustee and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, DASNY or the Trustee shall promptly notify the Obligated Person and also may notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer, the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Issuer, the Obligated Person or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer or the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer or the Obligated Person desires to make, contain the written authorization of the Issuer or the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. <u>CUSIP Numbers</u>.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice

Event notices and Voluntary Event Disclosure, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer or the Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer or Obligated Person desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the date the Issuer or Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer or Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that neither the Issuer nor the Obligated Person is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person, with the approval of DASNY, from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

The Issuer has appointed DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement pursuant to the Disclosure Dissemination Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer or the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Issuer or the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Issuer or the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer or the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT, THE ISSUER AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Person.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. No Issuer or Trustee Responsibility.

The Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement other than those notices required under Section 4(b) hereof, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures other than those notices required under said Section 4(b). DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Disclosure Agreement to the same extent provided in the Resolution for matters arising thereunder.

SECTION 13. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Person, the Issuer, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, DASNY, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person, the Trustee or the Issuer and the assumption by any such successor of the covenants of the Obligated Person, the Trustee or the Issuer hereunder;

(iv) to add to the covenants of the Obligated Person, the Issuer or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person, the Issuer or the Disclosure Dissemination Agent;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Issuer, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to its conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

The Disclosure Dissemination Agent, the Issuer, the Trustee and the Obligated Person have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By:____________________________________
Name:__________________________________
Title:___________________________________

[LIBRARY],
Obligated Person

By:____________________________________
Name:__________________________________
Title:___________________________________

DORMITORY AUTHORITY OF THE STATE OF NEW YORK,
Issuer

By:____________________________________
Authorized Officer

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: ___________________________________
Name: _________________________________
Title: __________________________________

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Dormitory Authority of the State of New York
Obligated Person(s): __________
Name of Bond Issue: __________
Date of Issuance: __________
Date of Official Statement: __________

Maturity	CUSIP No.

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Dormitory Authority of the State of New York
Obligated Person(s): __________
Name of Bond Issue: __________
Date of Issuance: __________

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated as of __________, by and among the Obligated Person, the Dormitory Authority of the State of New York, as Issuer, U.S. Bank National Association, as Trustee and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by ______________.

Dated:______________________________

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the Obligated Person

____

cc: Issuer
Obligated Person

EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying “event notice” will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer’s and Obligated Person’s Names:

____

Issuer’s Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

____

Number of pages attached: _____

Description of Notice Events (Check One):

1.______“Principal and interest payment delinquencies;”
2.______“Non-Payment related defaults, if material;”
3.______“Unscheduled draws on debt service reserves reflecting financial difficulties;”
4.______“Unscheduled draws on credit enhancements reflecting financial difficulties;”
5.______“Substitution of credit or liquidity providers, or their failure to perform;”
6.______“Adverse tax opinions, IRS notices or events affecting the tax status of the security;”
7.______“Modifications to rights of securities holders, if material;”
8.______“Bond calls, if material;”
9.______“Defeasances;”
10._____“Release, substitution, or sale of property securing repayment of the securities, if material;”
11._____“Rating changes;”
12._____“Tender offers;”
13._____“Bankruptcy, insolvency, receivership or similar event of the obligated person;”
14._____“Merger, consolidation, or acquisition of the obligated person, if material;” and
15._____“Appointment of a successor or additional trustee, or the change of name of a trustee, if material.”

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ______________________________ Title: ______________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of __________ by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

Description of Voluntary Event Disclosure (Check One):

1.______"amendment to continuing disclosure undertaking;"
2.______"change in obligated person;"
3.______"notice to investors pursuant to bond documents;"
4.______"certain communications from the Internal Revenue Service;"
5.______"secondary market purchases;"
6.______"bid for auction rate or other securities;"
7.______"capital or other financing plan;"
8.______"litigation/enforcement action;"
9.______"change of tender agent, remarketing agent, or other on-going party;"
10._____"derivative or other similar transaction;" and
11._____"other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ______________________________Title: ______________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of __________ by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1.______"quarterly/monthly financial information;"
2.______"change in fiscal year/timing of annual disclosure;"
3.______"change in accounting standard;"
4.______"interim/additional financial information/operating data;"
5.______"budget;"
6.______"investment/debt/financial policy;"
7.______"information provided to rating agency, credit/liquidity provider or other third party;"
8.______"consultant reports;" and
9.______"other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ____________________________________Title: ____________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

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FORMS OF APPROVING OPINIONS OF CO-BOND COUNSEL

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FORMS OF APPROVING OPINIONS OF CO-BOND COUNSEL

Upon delivery of the Series 2016 Bonds, Hodgson Russ LLP, Albany, New York, and Golden Holley James LLP, New York, New York, Co-Bond Counsel to DASNY, propose to issue their approving opinions as to the Series 2016 Bonds in substantially the following forms:

FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL RESPECTING THE COMSEWOGUE PUBLIC LIBRARY BONDS

March 2, 2016

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

Re: $2,345,000 Dormitory Authority of the State of New York Comsewogue Public Library Revenue Bonds, Series 2016

Ladies and Gentlemen:

We have acted as co-bond counsel to the Dormitory Authority of the State of New York ("DASNY") in connection with the issuance by DASNY of $2,345,000 aggregate principal amount of its Comsewogue Public Library Revenue Bonds, Series 2016 (the "Series 2016 Bonds"). DASNY is a body corporate and politic of the State of New York (the "State") constituting a public benefit corporation organized and existing under the laws of the State, including the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Titles 4 and 4-B of Article 8 of the New York Public Authorities Law), as amended from time to time to the date hereof (hereinafter collectively called the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Series 2016 Bonds are issued under and pursuant to the Act and the Comsewogue Public Library Revenue Bond Resolution of DASNY, adopted January 12, 2016 (the "General Resolution"), the Comsewogue Public Library Series 2016 Resolution Authorizing Up To $4,000,000 Series 2016 Bonds of DASNY, adopted January 12, 2016 (the "Series 2016 Resolution") and the Bond Series Certificate authorizing the issuance of the Series 2016 Bonds (the "2016 Bond Series Certificate" and, together with the General Resolution and the Series 2016 Resolution, the "Resolutions"). The Series 2016 Bonds are being issued for the purposes set forth in the Resolutions. Capitalized terms used herein without other definition have the meanings set forth in the Resolutions.

DASNY has entered into a Loan Agreement with the Comsewogue Public Library (the "Library"), dated as of January 12, 2016 (the "Loan Agreement"), providing, among other things, for a loan to the Library for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Library is required to make payments sufficient to pay the principal, sinking fund installments and redemption price, if applicable, of and interest on the Series 2016 Bonds as the same become due, which payments have been pledged by DASNY to the Trustee for the benefit of the holders of the Series 2016 Bonds. DASNY, the Library and the Trustee have also entered into a Tax Compliance Agreement dated as of the date hereof relating to the Series 2016 Bonds (the "Tax Compliance Agreement").

The Series 2016 Bonds are dated their date of delivery, mature on July 1 of the years and in the respective principal amounts, and bear interest, payable on July 1, 2016 and semiannually thereafter on January 1 and July 1 in each year, at the respective rates per annum, all as set forth in the Resolutions.

The Series 2016 Bonds are to be issued in fully registered form in denominations of $5,000 at maturity or any integral multiple thereof. The Series 2016 Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolutions.

In rendering the opinions expressed herein, we have reviewed the Act, the Resolutions, the Tax Compliance Agreement, opinions of counsel to DASNY, the Trustee and the Library, certificates of DASNY, the Trustee, the Library and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us and the accuracy of the factual matters represented, warranted or certified therein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Series 2016 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than DASNY. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Loan Agreement and the Tax Compliance Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes.

Any opinion concerning the validity, binding effect or enforceability of any document (A) means that (1) such document constitutes an effective contract under applicable law, (2) such document is not invalid in its entirety under applicable law because of a specific statutory prohibition or public policy and is not subject in its entirety to a contractual defense under applicable law and (3) subject to the following sentence, some remedy is available under applicable law if the person concerning whom such opinion is given is in material default under such document, but (B) does not mean that (1) any particular remedy is available under applicable law upon such material default or (2) every provision of such document will be upheld or enforced in any or each circumstance by a court applying applicable law. Furthermore, the validity, binding effect or enforceability of any document may be limited to or otherwise affected by (A) any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies generally or (B) the unavailability of, or any limitation on the availability of, any particular right or remedy (whether in a proceeding in equity or law) because of the discretion of a court or because of any equitable principle or requirement as to commercial reasonableness, conscionability or good faith.

DASNY has covenanted in the Resolutions and the Library has covenanted in the Loan Agreement to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") in order to maintain the exclusion of the interest on the Series 2016 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, DASNY and the Library have made certain representations, certifications and covenants in the Tax Compliance Agreement relating to the Series 2016 Bonds. Bond Counsel will not independently verify the accuracy of those representations and certifications. The opinions set forth in paragraphs 6 and 7 below assume, among other matters, the accuracy of certain representations and certifications made by DASNY and the Library described above and compliance with the aforementioned covenants and the requirements of the Code that must be satisfied subsequent to the issuance of the Series 2016 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, including covenants and requirements regarding use, expenditure of proceeds and timely payment of certain investment earnings to the United States Treasury. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2016 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2016 Bonds.

Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2016 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. DASNY has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State.

2. The Series 2016 Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of DASNY enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions, and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, DASNY. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Series 2016 Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Series 2016 Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions (except the Arbitrage Rebate Fund), subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Loan Agreement has been duly executed and delivered by DASNY and, assuming due execution and delivery thereof by the Library, constitutes the valid and binding agreement of DASNY in accordance with its terms.

5. The Series 2016 Bonds are not a lien or charge upon the funds or property of DASNY except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of New York or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2016 Bonds. The Series 2016 Bonds are not a debt of the State of New York, and said State is not liable for the payment thereof

6. Under existing law, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Under existing law, interest on the Series 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; provided, however, that such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations and the branch profits tax imposed on foreign corporations doing business in the United States.

7. Interest on the Series 2016 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York and the City of Yonkers).

Except as stated in 6 and 7 above, we express no opinion regarding any Federal, state or local tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016 Bonds. Further, we express no opinion as to any Federal, state or local tax law consequences with respect to the Series 2016 Bonds, or the interest thereon, if any action is taken with respect to the Series 2016 Bonds or the proceeds thereof upon the advice or approval of other counsel. We render no opinion as to the exclusion from gross income of interest on the Series 2016 Bonds for purposes of federal income taxation on or after the date on which any change occurs or action is taken or omitted under the Resolutions, the Loan Agreement or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Hodgson Russ LLP and Golden Holley James LLP. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2016 Bonds may affect the tax status of interest on the Series 2016 Bonds. Further, although the interest is excludable from gross income for federal income tax purposes, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2016 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Series 2016 Bond and such holder's other items of income, deduction or credit. We express no opinion with respect to any such effect.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than DASNY, and (iii) the correctness of the legal conclusions contained in the legal opinion letters of counsel to the Library delivered in connection with this matter.

In rendering those opinions with respect to treatment of the interest on the Series 2016 Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of DASNY and the Library. Failure to comply with certain of those covenants subsequent to issuance of the Series 2016 Bonds may cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2016 Bonds, the Resolutions or the Loan Agreement.

The opinions contained in paragraphs 2 through 4 above are qualified to the extent that the enforceability of the Resolutions, the Series 2016 Bonds and the Loan Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the Library. We have assumed the due authorization, execution and delivery of such Loan Agreement by the Library.

We express no opinion in this letter as to the accuracy, completeness, fairness or sufficiency of the Official Statement relating to the Series 2016 Bonds, or any appendices thereto.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as co-bond counsel with respect to the Series 2016 Bonds has concluded on this date.

Very truly yours,

By:______________________________

**FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL
RESPECTING THE ROGERS MEMORIAL LIBRARY COMPANY
SUBSERIES 2016A BONDS**

March 2, 2016

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

Re: $2,760,000 Dormitory Authority of the State of New York Rogers Memorial Library Company Revenue Bonds, Subseries 2016A

Ladies and Gentlemen:

We have acted as co-bond counsel to the Dormitory Authority of the State of New York ("DASNY") in connection with the issuance by DASNY of $2,760,000 aggregate principal amount of its Rogers Memorial Library Company Revenue Bonds, Subseries 2016A (the "Subseries 2016A Bonds"). DASNY is a body corporate and politic of the State of New York (the "State") constituting a public benefit corporation organized and existing under the laws of the State, including the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Titles 4 and 4-B of Article 8 of the New York Public Authorities Law), as amended from time to time to the date hereof (hereinafter collectively called the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Subseries 2016A Bonds are issued under and pursuant to the Act and the Rogers Memorial Library Company Revenue Bond Resolution of DASNY, adopted January 12, 2016 (the "General Resolution"), the Rogers Memorial Library Company Series 2016 Resolution Authorizing Up To $4,000,000 Series 2016A Bonds of DASNY, adopted January 12, 2016 (the "Series 2016 Resolution") and the Bond Series Certificate authorizing the issuance of the Subseries 2016A Bonds (the "2016A Bond Series Certificate" and, together with the General Resolution and the Series 2016 Resolution, the "Resolutions"). The Subseries 2016A Bonds are being issued for the purposes set forth in the Resolutions. Capitalized terms used herein without other definition have the meanings set forth in the Resolutions.

DASNY has entered into a Loan Agreement with the Rogers Memorial Library Company (the "Library"), dated as of January 12, 2016 (the "Loan Agreement"), providing, among other things, for a loan to the Library for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Library is required to make payments sufficient to pay the principal, sinking fund installments and redemption price, if applicable, of and interest on the Subseries 2016A Bonds as the same become due, which payments have been pledged by DASNY to the Trustee for the benefit of the holders of the Subseries 2016A Bonds. DASNY, the Library and the Trustee have also entered into a Tax Compliance Agreement dated as of the date hereof relating to the Subseries 2016A Bonds (the "Tax Compliance Agreement").

The Subseries 2016A Bonds are dated their date of delivery, mature on July 1 of the years and in the respective principal amounts, and bear interest, payable on July 1, 2016 and semiannually thereafter on January 1 and July 1 in each year, at the respective rates per annum, all as set forth in the Resolutions.

The Subseries 2016A Bonds are to be issued in fully registered form in denominations of $5,000 at maturity or any integral multiple thereof. The Subseries 2016A Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolutions.

In rendering the opinions expressed herein, we have reviewed the Act, the Resolutions, the Tax Compliance Agreement, opinions of counsel to DASNY, the Trustee and the Library, certificates of DASNY, the Trustee, the Library and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us and the accuracy of the factual matters represented, warranted or certified therein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Subseries 2016A Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than DASNY. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Loan Agreement and the Tax Compliance Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Subseries 2016A Bonds to be included in gross income for federal income tax purposes.

Any opinion concerning the validity, binding effect or enforceability of any document (A) means that (1) such document constitutes an effective contract under applicable law, (2) such document is not invalid in its entirety under applicable law because of a specific statutory prohibition or public policy and is not subject in its entirety to a contractual defense under applicable law and (3) subject to the following sentence, some remedy is available under applicable law if the person concerning whom such opinion is given is in material default under such document, but (B) does not mean that (1) any particular remedy is available under applicable law upon such material default or (2) every provision of such document will be upheld or enforced in any or each circumstance by a court applying applicable law. Furthermore, the validity, binding effect or enforceability of any document may be limited to or otherwise affected by (A) any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies generally or (B) the unavailability of, or any limitation on the availability of, any particular right or remedy (whether in a proceeding in equity or law) because of the discretion of a court or because of any equitable principle or requirement as to commercial reasonableness, conscionability or good faith.

DASNY has covenanted in the Resolutions and the Library has covenanted in the Loan Agreement to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") in order to maintain the exclusion of the interest on the Subseries 2016A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, DASNY and the Library have made certain representations, certifications and covenants in the Tax Compliance Agreement relating to the Subseries 2016A Bonds. Bond Counsel will not independently verify the accuracy of those representations and certifications. The opinions set forth in paragraphs 6 and 7 below assume, among other matters, the accuracy of certain representations and certifications made by DASNY and the Library described above and compliance with the aforementioned covenants and the requirements of the Code that must be satisfied subsequent to the issuance of the Subseries 2016A Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, including covenants and requirements regarding use, expenditure of proceeds and timely payment of certain investment earnings to the United States Treasury. Failure to comply with certain of such requirements may cause the inclusion of interest on the Subseries 2016A Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Subseries 2016A Bonds.

Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Subseries 2016A Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. DASNY has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State.

2. The Subseries 2016A Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of DASNY enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions, and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, DASNY. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Subseries 2016A Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Subseries 2016A Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions (except the Arbitrage Rebate Fund), subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Loan Agreement has been duly executed and delivered by DASNY and, assuming due execution and delivery thereof by the Library, constitutes the valid and binding agreement of DASNY in accordance with its terms.

5. The Subseries 2016A Bonds are not a lien or charge upon the funds or property of DASNY except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of New York or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Subseries 2016A Bonds. The Subseries 2016A Bonds are not a debt of the State of New York, and said State is not liable for the payment thereof

6. Under existing law, interest on the Subseries 2016A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Under existing law, interest on the Subseries 2016A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; provided, however, that such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations and the branch profits tax imposed on foreign corporations doing business in the United States.

7. Interest on the Subseries 2016A Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York and the City of Yonkers).

8. "Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of the Subseries 2016A Bonds (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity (in general, the "issue price" of a maturity means the first price at which a substantial amount of those Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers)). For any Subseries 2016A Bonds having OID (a "Discount Bond"), OID that is properly allocable to the owners of the Discount Bonds is excluded from gross income for federal income tax purposes to the same extent as other interest on the Subseries 2016A Bonds. In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on a periodic compounding of interest over prescribed accrual periods at least annually, using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond.

Except as stated in 6, 7 and 8 above, we express no opinion regarding any Federal, state or local tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Subseries 2016A Bonds. Further, we express no opinion as to any Federal, state or local tax law consequences with respect to the Subseries 2016A Bonds, or the interest thereon, if any action is taken with respect to the Subseries 2016A Bonds or the proceeds thereof upon the advice or approval of other counsel. We render no opinion as to the exclusion from gross income of interest on the Subseries 2016A Bonds for purposes of federal income taxation on or after the date on which any change occurs or action is taken or omitted under the Resolutions, the Loan Agreement or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Hodgson Russ LLP and Golden Holley James LLP. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Subseries 2016A Bonds may affect the tax status of interest on the Subseries 2016A Bonds. Further, although the interest is excludable from gross income for federal income tax purposes, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2016 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Series 2016 Bond and such holder's other items of income, deduction or credit. We express no opinion with respect to any such effect.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than DASNY, and (iii) the correctness of the legal conclusions contained in the legal opinion letters of counsel to the Library delivered in connection with this matter.

In rendering those opinions with respect to treatment of the interest on the Subseries 2016A Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of DASNY and the Library. Failure to comply with certain of those covenants subsequent to issuance of the Subseries 2016A Bonds may cause interest on the Subseries 2016A Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Subseries 2016A Bonds, the Resolutions or the Loan Agreement.

The opinions contained in paragraphs 2 through 4 above are qualified to the extent that the enforceability of the Resolutions, the Subseries 2016A Bonds and the Loan Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the Library. We have assumed the due authorization, execution and delivery of such Loan Agreement by the Library.

We express no opinion in this letter as to the accuracy, completeness, fairness or sufficiency of the Official Statement relating to the Subseries 2016A Bonds, or any appendices thereto.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as co-bond counsel with respect to the Subseries 2016A Bonds has concluded on this date.

Very truly yours,

By:______________________________

FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL RESPECTING THE ROGERS MEMORIAL LIBRARY COMPANY SUBSERIES 2016B BONDS

March 2, 2016

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

Re: $130,000 Dormitory Authority of the State of New York Rogers Memorial Library Company Revenue Bonds, Subseries 2016B (Federally Taxable)

Ladies and Gentlemen:

We have acted as co-bond counsel to the Dormitory Authority of the State of New York ("DASNY") in connection with the issuance by DASNY of $130,000 aggregate principal amount of its Rogers Memorial Library Company Revenue Bonds, Subseries 2016B (Federally Taxable) (the "Subseries 2016B Bonds"). DASNY is a body corporate and politic of the State of New York (the "State") constituting a public benefit corporation organized and existing under the laws of the State, including the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Titles 4 and 4-B of Article 8 of the New York Public Authorities Law), as amended from time to time to the date hereof (hereinafter collectively called the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Subseries 2016B Bonds are issued under and pursuant to the Act and the Rogers Memorial Library Company Revenue Bond Resolution of DASNY, adopted January 12, 2016 (the "General Resolution"), the Rogers Memorial Library Company Series 2016 Resolution Authorizing Up To $4,000,000 Series 2016B Bonds of DASNY, adopted January 12, 2016 (the "Series 2016 Resolution") and the Bond Series Certificate authorizing the issuance of the Subseries 2016B Bonds (the "2016B Bond Series Certificate" and, together with the General Resolution and the Series 2016 Resolution, the "Resolutions"). The Subseries 2016B Bonds are being issued for the purposes set forth in the Resolutions. Capitalized terms used herein without other definition have the meanings set forth in the Resolutions.

DASNY has entered into a Loan Agreement with the Rogers Memorial Library Company (the "Library"), dated as of January 12, 2016 (the "Loan Agreement"), providing, among other things, for a loan to the Library for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Library is required to make payments sufficient to pay the principal, sinking fund installments and redemption price, if applicable, of and interest on the Subseries 2016B Bonds as the same become due, which payments have been pledged by DASNY to the Trustee for the benefit of the holders of the Subseries 2016B Bonds.

The Subseries 2016B Bonds are dated their date of delivery, mature on July 1 of the years and in the respective principal amounts, and bear interest, payable on July 1, 2016 and semiannually thereafter on January 1 and July 1 in each year, at the respective rates per annum, all as set forth in the Resolutions.

The Subseries 2016B Bonds are to be issued in fully registered form in denominations of $5,000 at maturity or any integral multiple thereof. The Subseries 2016B Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolutions.

In rendering the opinions expressed herein, we have reviewed the Act, the Resolutions, opinions of counsel to DASNY, the Trustee and the Library, certificates of DASNY, the Trustee, the Library and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us and the accuracy of the factual matters represented, warranted or certified therein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Subseries 2016B Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than DASNY. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions and the Loan Agreement.

Any opinion concerning the validity, binding effect or enforceability of any document (A) means that (1) such document constitutes an effective contract under applicable law, (2) such document is not invalid in its entirety under applicable law because of a specific statutory prohibition or public policy and is not subject in its entirety to a contractual defense under applicable law and (3) subject to the following sentence, some remedy is available under applicable law if the person concerning whom such opinion is given is in material default under such document, but (B) does not mean that (1) any particular remedy is available under applicable law upon such material default or (2) every provision of such document will be upheld or enforced in any or each circumstance by a court applying applicable law. Furthermore, the validity, binding effect or enforceability of any document may be limited to or otherwise affected by (A) any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies generally or (B) the unavailability of, or any limitation on the availability of, any particular right or remedy (whether in a proceeding in equity or law) because of the discretion of a court or because of any equitable principle or requirement as to commercial reasonableness, conscionability or good faith.

We undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Subseries 2016B Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. DASNY has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State.

2. The Subseries 2016B Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of DASNY enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions, and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, DASNY. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Subseries 2016B Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Subseries 2016B Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions (except the Arbitrage Rebate Fund), subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Loan Agreement has been duly executed and delivered by DASNY and, assuming due execution and delivery thereof by the Library, constitutes the valid and binding agreement of DASNY in accordance with its terms.

5. The Subseries 2016B Bonds are not a lien or charge upon the funds or property of DASNY except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of New York or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Subseries

2016B Bonds. The Subseries 2016B Bonds are not a debt of the State of New York, and said State is not liable for the payment thereof

6. Under existing law, interest on the Subseries 2016B Bonds is included in the gross income for federal income tax purposes.

7. By virtue of the Act, interest on the Subseries 2016B Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York and the City of Yonkers).

Except as stated in 6 and 7 above, we express no opinion regarding any Federal, state or local tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Subseries 2016B Bonds. Further, we express no opinion as to any Federal, state or local tax law consequences with respect to the Subseries 2016B Bonds, or the interest thereon, if any action is taken with respect to the Subseries 2016B Bonds or the proceeds thereof upon the advice or approval of any bond counsel other than, Hodgson Russ LLP and Golden Holley James LLP. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Subseries 2016B Bonds may affect the tax status of interest on the Subseries 2016B Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than DASNY, and (iii) the correctness of the legal conclusions contained in the legal opinion letters of counsel to the Library delivered in connection with this matter.

In rendering those opinions with respect to treatment of the interest on the Subseries 2016B Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of DASNY and the Library. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Subseries 2016B Bonds, the Resolutions or the Loan Agreement.

The opinions contained in paragraphs 2 through 4 above are qualified to the extent that the enforceability of the Resolutions, the Subseries 2016B Bonds and the Loan Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the Library. We have assumed the due authorization, execution and delivery of such Loan Agreement by the Library.

We express no opinion in this letter as to the accuracy, completeness, fairness or sufficiency of the Official Statement relating to the Subseries 2016B Bonds, or any appendices thereto.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as co-bond counsel with respect to the Subseries 2016B Bonds has concluded on this date.

Very truly yours,

By:______________________________

**FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL
RESPECTING THE SMITHTOWN SPECIAL LIBRARY DISTRICT BONDS**

March 2, 2016

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

Re: $14,865,000 Dormitory Authority of the State of New York Smithtown Special Library District Revenue Bonds, Series 2016

Ladies and Gentlemen:

We have acted as co-bond counsel to the Dormitory Authority of the State of New York ("DASNY") in connection with the issuance by DASNY of $14,865,000 aggregate principal amount of its Smithtown Special Library District Revenue Bonds, Series 2016 (the "Series 2016 Bonds"). DASNY is a body corporate and politic of the State of New York (the "State") constituting a public benefit corporation organized and existing under the laws of the State, including the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Titles 4 and 4-B of Article 8 of the New York Public Authorities Law), as amended from time to time to the date hereof (hereinafter collectively called the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Series 2016 Bonds are issued under and pursuant to the Act and the Smithtown Special Library District Revenue Bond Resolution of DASNY, adopted January 12, 2016 (the "General Resolution"), the Smithtown Special Library District Company Series 2016 Resolution Authorizing Up To $18,000,000 Series 2016 Bonds of DASNY, adopted January 12, 2016 (the "Series 2016 Resolution") and the Bond Series Certificate authorizing the issuance of the Series 2016 Bonds (the "2016 Bond Series Certificate" and, together with the General Resolution and the Series 2016 Resolution, the "Resolutions"). The Series 2016 Bonds are being issued for the purposes set forth in the Resolutions. Capitalized terms used herein without other definition have the meanings set forth in the Resolutions.

DASNY has entered into a Loan Agreement with the Smithtown Special Library District (the "Library"), dated as of January 12, 2016 (the "Loan Agreement"), providing, among other things, for a loan to the Library for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Library is required to make payments sufficient to pay the principal, sinking fund installments and redemption price, if applicable, of and interest on the Series 2016 Bonds as the same become due, which payments have been pledged by DASNY to the Trustee for the benefit of the holders of the Series 2016 Bonds. DASNY, the Library and the Trustee have also entered into a Tax Compliance Agreement dated as of the date hereof relating to the Series 2016 Bonds (the "Tax Compliance Agreement").

The Series 2016 Bonds are dated their date of delivery, mature on July 1 of the years and in the respective principal amounts, and bear interest, payable on July 1, 2016 and semiannually thereafter on January 1 and July 1 in each year, at the respective rates per annum, all as set forth in the Resolutions.

The Series 2016 Bonds are to be issued in fully registered form in denominations of $5,000 at maturity or any integral multiple thereof. The Series 2016 Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolutions.

In rendering the opinions expressed herein, we have reviewed the Act, the Resolutions, the Tax Compliance Agreement, opinions of counsel to DASNY, the Trustee and the Library, certificates of DASNY, the Trustee, the Library and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us and the accuracy of the factual matters represented, warranted or certified therein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Series 2016 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than DASNY. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Loan Agreement and the Tax Compliance Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes.

Any opinion concerning the validity, binding effect or enforceability of any document (A) means that (1) such document constitutes an effective contract under applicable law, (2) such document is not invalid in its entirety under applicable law because of a specific statutory prohibition or public policy and is not subject in its entirety to a contractual defense under applicable law and (3) subject to the following sentence, some remedy is available under applicable law if the person concerning whom such opinion is given is in material default under such document, but (B) does not mean that (1) any particular remedy is available under applicable law upon such material default or (2) every provision of such document will be upheld or enforced in any or each circumstance by a court applying applicable law. Furthermore, the validity, binding effect or enforceability of any document may be limited to or otherwise affected by (A) any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies generally or (B) the unavailability of, or any limitation on the availability of, any particular right or remedy (whether in a proceeding in equity or law) because of the discretion of a court or because of any equitable principle or requirement as to commercial reasonableness, conscionability or good faith.

DASNY has covenanted in the Resolutions and the Library has covenanted in the Loan Agreement to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") in order to maintain the exclusion of the interest on the Series 2016 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, DASNY and the Library have made certain representations, certifications and covenants in the Tax Compliance Agreement relating to the Series 2016 Bonds. Bond Counsel will not independently verify the accuracy of those representations and certifications. The opinions set forth in paragraphs 6 and 7 below assume, among other matters, the accuracy of certain representations and certifications made by DASNY and the Library described above and compliance with the aforementioned covenants and the requirements of the Code that must be satisfied subsequent to the issuance of the Series 2016 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, including covenants and requirements regarding use, expenditure of proceeds and timely payment of certain investment earnings to the United States Treasury. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2016 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2016 Bonds.

Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2016 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. DASNY has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State.

2. The Series 2016 Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of DASNY enforceable in accordance with their terms and the terms of the

Resolutions, will be payable solely from the sources provided therefor in the Resolutions, and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, DASNY. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Series 2016 Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Series 2016 Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions (except the Arbitrage Rebate Fund), subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Loan Agreement has been duly executed and delivered by DASNY and, assuming due execution and delivery thereof by the Library, constitutes the valid and binding agreement of DASNY in accordance with its terms.

5. The Series 2016 Bonds are not a lien or charge upon the funds or property of DASNY except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of New York or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2016 Bonds. The Series 2016 Bonds are not a debt of the State of New York, and said State is not liable for the payment thereof

6. Under existing law, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Under existing law, interest on the Series 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; provided, however, that such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations and the branch profits tax imposed on foreign corporations doing business in the United States.

7. Interest on the Series 2016 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York and the City of Yonkers).

Except as stated in 6 and 7 above, we express no opinion regarding any Federal, state or local tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016 Bonds. Further, we express no opinion as to any Federal, state or local tax law consequences with respect to the Series 2016 Bonds, or the interest thereon, if any action is taken with respect to the Series 2016 Bonds or the proceeds thereof upon the advice or approval of other counsel. We render no opinion as to the exclusion from gross income of interest on the Series 2016 Bonds for purposes of federal income taxation on or after the date on which any change occurs or action is taken or omitted under the Resolutions, the Loan Agreement or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Hodgson Russ LLP and Golden Holley James LLP. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2016 Bonds may affect the tax status of interest on the Series 2016 Bonds. Further, although the interest is excludable from gross income for federal income tax purposes, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2016 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Series 2016 Bond and such holder's other items of income, deduction or credit. We express no opinion with respect to any such effect.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than DASNY, and (iii) the correctness of the legal conclusions contained in the legal opinion letters of counsel to the Library delivered in connection with this matter.

In rendering those opinions with respect to treatment of the interest on the Series 2016 Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of DASNY and the Library. Failure to comply with certain of those covenants subsequent to issuance of the Series 2016 Bonds may cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2016 Bonds, the Resolutions or the Loan Agreement.

The opinions contained in paragraphs 2 through 4 above are qualified to the extent that the enforceability of the Resolutions, the Series 2016 Bonds and the Loan Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the Library. We have assumed the due authorization, execution and delivery of such Loan Agreement by the Library.

We express no opinion in this letter as to the accuracy, completeness, fairness or sufficiency of the Official Statement relating to the Series 2016 Bonds, or any appendices thereto.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as co-bond counsel with respect to the Series 2016 Bonds has concluded on this date.

Very truly yours,

By:______________________________

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